

# Savola Group

## Detailed Coverage

**Recommendation** **Neutral**

**Fair Value (SAR)** **41.00**

Price as of December 1, 2016 39.69

Expected Return 3.3%

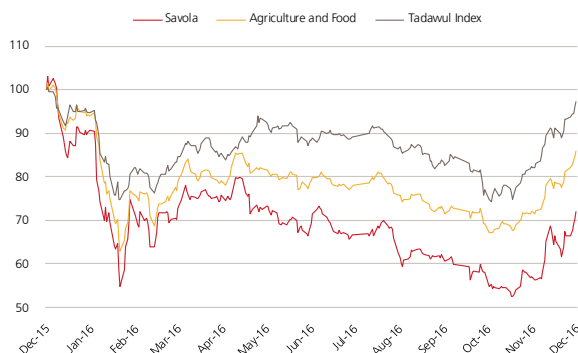
### Company Data

Tadawul Symbol	2050.SE
52 Week High (SAR)	57.25
52 Week Low (SAR)	27.80
YTD Change	-20.6%
3-Month Average Volume (Thousand Shares)	758
Market Cap. (SAR Million)	21,194
Market Cap. (USD Million)	5,652
Outstanding Shares (Million Shares)	534

### Major Shareholders (> 5%)

MASC Holding Company	11.23%
General Organization for Social Insurance	10.23%
Abdullah Mohammed A. Al-Rabiah	8.21%
Abdulkadir Al-Muhaidib & Sons Company	8.21%
Al-Muhaidib Holding Company	6.36%

52-week Stock Price Movement



Source: Tadawul

Sources: Tadawul, Savola Group, IMF, USDA, The World Bank, EIU, Bloomberg.

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Savola is a main conglomerate in the Middle East and North Africa (MENA). Incorporated in 1979 and headquartered in Jeddah, the group focuses on two core sectors, namely food and retail operations. The segment comprises edible oil, sugar and pasta, while the retail business is run by Panda Retail Company which operates a network of hypermarkets, supermarkets and convenience stores across Saudi Arabia, Dubai and Egypt. In addition to the food and retail business, Savola boasts staggering investments in publicly listed Saudi companies, investment funds and real-estate businesses.

The Q3 2016 financials unveiled net earnings of SAR 173 million sliding 30% YoY, while the nine-month figure dipped by 60% to SAR 513 million triggered by sales drop, lower gross profit, mounting OPEX and financing costs as well as the skyrocketing loss of United Sugar Co. - Egypt, and the capital gain of SAR 265.2 million in Q1 2015 from divestment of plastics operations.

Nine-month revenues fell 0.6% hitting SAR 18,760 million as the sales of food and retail segments amounted to SAR 8,640 million and SAR 10,320 million, respectively. The food sales shrank by 4.1% with edible oil sales tumbling 10%, thus accounting for 67.6% of food sales. Furthermore, retail sales edged up 2.5%. The food segment earned SAR 429 million in 9M 2016 compared to SAR 449 million in 9M 2015, nevertheless the retail segment incurred a net loss of SAR 233 million compared to a net profit of SAR 118 million in 9M 2015. Geographically, Saudi Arabia accounted for 72% of top line, followed by Iran and Egypt which contributed 10.1% and 8.8%, respectively. Saudi sales climbed by 3.2%, nevertheless sales in Iran and Egypt dwindled by 9.8% and 4.07%, respectively.

Despite the ambitious expansions in the retail sector in the kingdom in the last three years, Savola shutdown 101 convenience stores (Pandati) and 2 supermarkets in 9M 2016 and opened only one new Pandati store. It is noteworthy that Panda shutdown 15 Pandati outlets in 2015.

Going forward, we believe that the management strategy will involve the following points (a) cautious and selective expansion in the retail network factoring in the remarkable shutdowns in 2016 and accompanying growth in OPEX as well as the economic downturn. We also believe that failure to keep pace with the market, and the aggressive expansion may backfire, (b) cost cutting plans to cope with intensifying competition in the market, (c) seeking to exploit favorable world prices of agricultural commodities to achieve maximum profitability margins, (d) pursuit of increasing integration between units of the group, as well as the introduction of high-profit products and increased private labeling.

The share valuation is downgraded from SAR 43.8 to SAR 41 per share, reflecting exchange rate fluctuations in some markets, higher operating expense and increased outlets shutdowns.

FY - Ending December	2014A	2015A	2016E	2017F
EV/EBITDA	6.59	8.29	10.07	9.05
EV/Sales	0.76	0.77	0.81	0.80
P/E	10.23	11.83	34.72	22.58
Dividend Yield	5.6%	5.0%	2.5%	2.8%
P/BV	2.13	2.01	2.02	1.95
P/Revenue	0.80	0.80	0.84	0.84
Current Ratio	1.01	0.92	0.79	0.75

Source: Company Filings, Albilad Capital Research Estimates

## Company Description

Savola is one of the largest diversified conglomerates in the Middle East and North Africa (MENA). Incorporated in 1979 and headquartered in Jeddah, the group operates through two core segments.

*The group focuses on the food and retail sectors.*

- I. **Food segment:** The segment comprises edible oil, sugar and pasta. Savola Foods Co (SFC) manages the group investments in the Kingdom of Saudi Arabia (KSA) and overseas. SFC operates in seven countries, and exports its products to 30 countries.
- II. **Retail segment:** The segment includes hypermarkets, supermarkets and convenience stores (Pandati), through Panda Retail Co (formerly known as Azizia Panda United Co). Panda operates a network of hypermarkets, supermarkets and convenience stores across Saudi Arabia and a hypermarket in Dubai. On September 14, 2015 Panda inaugurated a supermarket in Egypt.

Apart from the two core sectors, the group also injected hefty investments in publicly listed Saudi companies, investment funds and real-estate businesses. These assets are classified under the investments segments with some of the major investments not fully consolidated such as Almarai and Herfy.

The table below represents Savola Group's main sectors, subsidiaries, activities and countries of incorporation:

Sector/Company Name	Country of incorporation	Core activities	Country Presence	Ownership (direct & indirect)	Capital - nominal share value
<b>Foods sector</b>					
Savola Foods Company	KSA	Foods (edible oils, sugar and pasta)	Holding company manages the investments in foods sector in KSA and overseas	100%	SAR2.2 bn
Afia International Company	KSA	Edible oils and fats	KSA, Gulf, Egypt, Iran, Turkey, Jordan	95.19%	SAR500mn
Savola Foods Emerging Markets Company	British Virgin Islands	Edible oils	Algeria, Sudan, Morocco	95.43%	SAR130mn
United Sugar Company	KSA	Cane sugar, beet sugar and sweeteners	KSA, Egypt	74.48%	SAR395mn
El-Malika for Food Industries Company	Egypt	Pasta	Egypt	100%	EGP268.9 mn
El Farasha for Food Industries Company	Egypt	Manufacturing pasta	Egypt	100%	EGP20mn
International Co. for Food Industries	KSA	Ghee and fats	KSA	75%	SAR30mn
<b>Retail sector</b>					
Panda Retail Company (Formerly Al-Azizia Panda United Company)	KSA	Retail (hypermarkets & supermarkets)	KSA, UAE (Dubai) and Egypt	91%	SAR1.45 bn
<b>Investments sector (non-managed by the group)</b>					
Herfy Food Services Company	KSA	Foods and fast food restaurants	KSA and some GCC countries	49%	SAR462.0 mn
Almarai Company	KSA	Fresh food products	KSA	36.50%	SAR6.0 bn
Kinan International Company	KSA	Real estate development	KSA	29.90%	SAR 1.7 bn
Knowledge Economic City Company	KSA	Real estate development	KSA	11.50%	SAR 3.4 bn
Taameer Jordan Holding Company	Jordan	Real estate development	Jordan	5.00%	JOD 86.4 mn
Dar Al Tamlik Company	KSA	Real estate development	KSA	5.00%	SAR1.0 bn

Source: Savola Group

In 2015, revenues from foods segment stood at SAR 13.1 billion, versus SAR 13.5 billion for the retail segment. Between 2014 and 2015, revenues from the retail segment moved up by 531 basis points from 45.9% to 51.2% while from foods segment shrank by 526 basis points.

*Savola had a workforce of 31k employees*

According to the FY15 annual report, Savola had a workforce of 31k employees, of which 24k employees worked for the retail segment. The number of Saudi nationals in the retail segment totaled 7.2k thus accounting for 30% of total retail employees. The food sector had 6.82k including 1.17k employees located in Saudi Arabia. The Saudization ratio hit 44.5% in the company's local food operations.

In 2015, revenues from foods segment stood at SAR 13.1 billion (bn), versus SAR 13.5 bn for the retail segment.

Savola's business segments (SAR mn)	Food	Retail	Plastic	Investments and other activities	Eliminations	Total
<b>FY 2015</b>						
Property, plant and equipment - net	3,411	3,885	-	610	-	<b>7,907</b>
Other non-current assets	852	339	-	8,530	-	<b>9,721</b>
Revenues - net	13,112	13,533	-	145	(364)	<b>26,425</b>
Net income	688	146	-	972	(15)	<b>1,792</b>
<b>FY 2014</b>						
Property, plant and equipment - net	3,261	2,983	-	511	-	<b>6,756</b>
Other non-current assets	806	323	-	8,280	-	<b>9,408</b>
Revenues - net	14,592	12,204	-	127	(336)	<b>26,588</b>
Net income	610	503	50	938	(28)	<b>2,072</b>

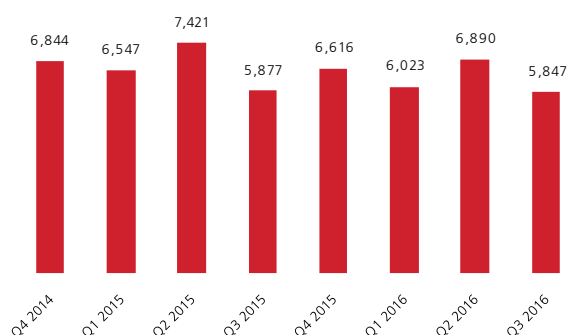
Source: Savola Group

Business segments	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
<b>Revenues (SAR mn)</b>											
Food	3,464	4,120	3,337	3,672	3,087	4,077	2,827	3,121	2,820	3,103	2,717
Retail	2,818	3,283	2,868	3,235	3,192	3,782	3,092	3,467	3,271	3,874	3,175
Investments and Others activities	16	15	15	80	15	15	15	101	14	14	14
Eliminations	(58)	(82)	(70)	(126)	(70)	(129)	(57)	(108)	(81)	(100)	(59)
<b>Total</b>	<b>6,241</b>	<b>7,337</b>	<b>6,150</b>	<b>6,860</b>	<b>6,224</b>	<b>7,745</b>	<b>5,877</b>	<b>6,580</b>	<b>6,023</b>	<b>6,890</b>	<b>5,847</b>
<b>Net Income (SAR mn)</b>											
Food	162	207	109	132	133	172	112	271	163	177	88
Retail	72	74	150	206	18	48	51	29	(21)	(80)	(131)
Investments and Others activities	194	222	437	84	368	180	212	213	79	193	210
Eliminations	(10)	(7)	(9)	(2)	(10)	(4)	(3)	3	(21)	(2)	9
Plastic	5	18	14	13	-	-	0	0	-	-	-
United Sugar Egypt*	-	-	0	0	(38)	38	0	0	(107)	(42)	(3)
<b>Total</b>	<b>423</b>	<b>513</b>	<b>701</b>	<b>434</b>	<b>471</b>	<b>434</b>	<b>372</b>	<b>515</b>	<b>93</b>	<b>247</b>	<b>173</b>

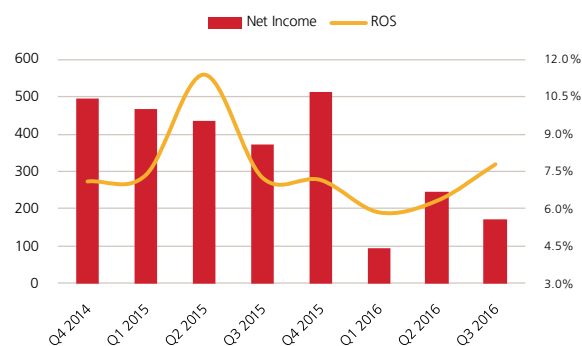
Source: Savola Group

Between 2014 and 2015, revenues from the retail segment moved up by 531 basis points from 45.9% to 51.2% while from foods segment ended lower by 526 basis points.

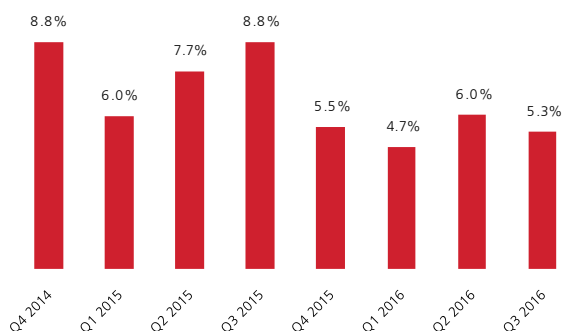
Quarter Revenues (SAR mn)



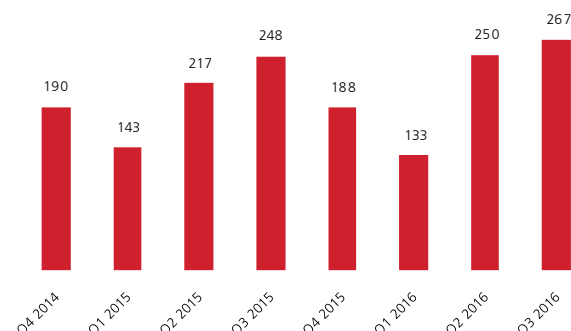
Quarter Net Income (SAR mn) and ROS (%)



Quarter Operating Margin (%)



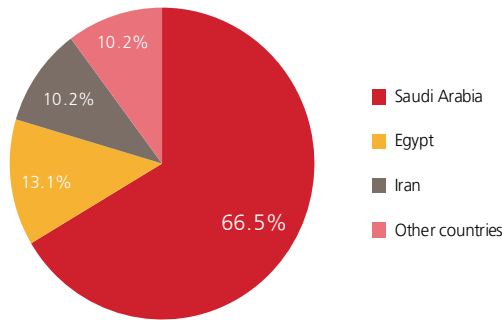
Quarter Investment Income (SAR mn)



Source: Savola Group

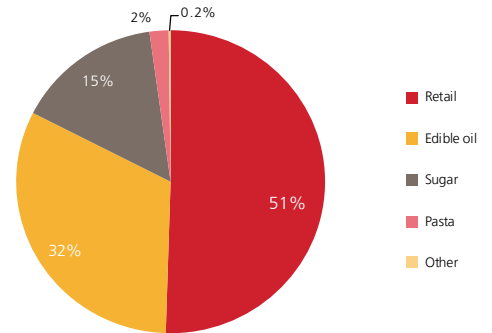
\*In March 2016, Savola and other shareholders of United Sugar Company - Egypt (USCE) disclosed an agreement with European Bank for Reconstruction and Development (EBRD), whereby EBRD will invest USD 100 million in USCE, through fresh injection of USD 50 million as well as converting the existing debt of USD 50 Million to equity. EBRD will own 46.32% of USCE. Savola will book the investment in USCE using the equity method instead of full consolidation. Until the deal is concluded, the assets and liabilities of USCE will be classified as held for sale and net income of USCE will be disclosed as income from discontinued operations in Savola's consolidated financial statements. The financial statements for 9M 2015 were also restated.

Revenues per country in 2015



Source: Savola Group

Revenues per segment in 2015



Source: Savola Group

*Savola Foods Company (SFC) is the flagship operating company of the Savola Group's Foods sector.*

*The sugar plants are located in Saudi Arabia and Egypt.*

*The pasta business is 100% owned by SFC.*

## Foods segment

Savola sold edible oils and fats in the amount of SAR 8.58 billion in 2015 as well as SAR 4.1 billion of sugar products and SAR 527 million of pasta. In 9M 2016, edible oils and fats sales amounted to SAR 5.84 billion, while sugar and pasta sales amounted to SAR 2.37 billion and SAR 429 million, respectively.

### Edible Oil and Vegetable Ghee

Savola Foods Company (SFC) is the flagship operating company of the Savola Group's foods sector. The company is a 100%-owned subsidiary and owns and manages subsidiaries with production facilities across seven countries covering the Middle East and North Africa. In 2015, the production capacities of the group's edible oil refineries reached 2.09 million (mn) metric tons (MT). According to the latest published figures, Savola had a market share of 58% of the edible oil market in Saudi Arabia in 2014, and 20% in the GCC region, 42% in Jordan, 18% in Turkey, 85% of bottled edible oil in Sudan, 27% in Algeria and 14% in Morocco, and leading positions in Egypt and Iran as well.

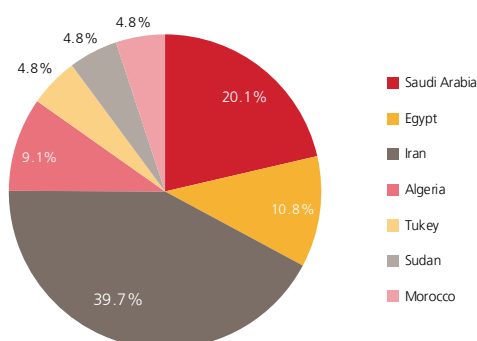
### Sugars and sweeteners

United Sugar Company (USC) is a 74.4%-owned subsidiary of Savola Industrial Investments Company which in turn is 95% owned by Savola Foods Company. The company operates from the Jeddah Islamic Port a huge sugar refinery with an annual production capacity of approximately 1.3 mn MT according to the FY15 annual report. In 2014, Savola embarked on a plan to invest SAR 254 million to boost the refinery capacity in Jeddah to 1.7 MT. Savola also possesses a sugar beet plant in Egypt (Alexandria Sugar) with a production capacity of about 200 thousand tons per annum, as well as a sugar refinery with a production capacity of about 740 thousand tons according to the FY15 annual report. The beet project was run in 2014 and a land reclamation company was set up with a paid-in capital of USD 22.5 million to satisfy the needs of the beet factory.

### Pasta segment

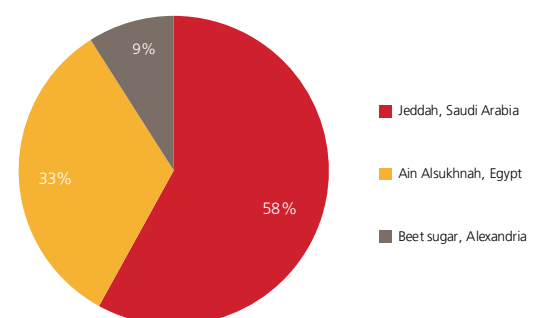
The pasta business is 100% owned by SFC and boasts a production capacity of 240k tons per annum. The business had a 60% market share in Egypt according to Savola.

Edible Oil Production Capacity- 2015



Source: Savola Group

Sugar and Sweeteners Production Capacity - 2015



Source: Savola Group

## Retail sector

Savola group possesses a 91% stake in Panda Retail Company which operates a network of hypermarkets, supermarkets, and convenience stores across Saudi Arabia, a hypermarket in Dubai and two supermarkets in Egypt. In 2015, Panda added 152 new stores, however only 19 outlets were added in 9M 2016 coupled with the shutdowns of 103 outlets including 101 Pandati stores, thus concluding 9M 2016 with a network of 411 outlets. In 2015, Panda's revenues hit SAR 13.5 bn vs. SAR 12.2 bn in 2014 registering an annual growth of 10.9%. The nine-month retail sales grew by only 2.5% hitting SAR 10.3 billion compared to SAR 10.1 billion in 9M 2015. Conversely, Panda incurred a net loss of SAR 233 million compared to a net profit of SAR 118 million in 9M 2015.

*In 2015, Panda's revenues hit SAR 13.5 bn vs. SAR 12.2 bn in 2014 registering an annual growth of 10.9%.*

The table below represents Savola's retail network growth Inside Saudi Arabia.

Years	2010	2011	2012	2013	2014	2015	Q1 2016	Q2 2016	Q3 2016
Supermarkets	87	90	98	110	131	151	153	157	160
Hypermarkets	37	41	47	51	59	63	63	66	66
Pandati	0	0	0	23	155	282	232	223	182
<b>Number of Outlets in KSA</b>	<b>124</b>	<b>131</b>	<b>145</b>	<b>184</b>	<b>345</b>	<b>496</b>	<b>448</b>	<b>446</b>	<b>408</b>

Source: Savola Group

## Strategic Investments Not Fully Controlled By Savola

Savola group as a part of its strategy to improve profitability, had made investment in allied businesses and sectors which continues to make hefty contribution in its profitability.

*Almarai is a publicly listed company, 36.52% owned by the Savola Group.*

**Almarai Company:** Almarai is a publicly listed company, 36.52% owned by the Savola Group. It is the world's largest vertically integrated dairy company and also a leading producer of juice, bakery and poultry products across the GCC. The Savola Group considers its interest in Almarai as a strategic investment, due to its outstanding performance, sustainable expansion, and excellent returns.

**Herfy Food Services Company:** Herfy is 49.0% owned by Savola group. The company had built its reputation successfully with its market leading restaurants, bakery and sweets and meat processing businesses. Herfy has number of branches across Saudi Arabia as well as restaurants in certain Arab countries. The Savola Group considers its interest in Herfy strategic due to its performance, sustainable expansion and notable dividends payment.

## Other Investments held by the Savola group include:

### Private Equity

**Swicorp:** Swicorp is a financial services firm operating in the Middle East and licensed by the Capital Market Authority of Saudi Arabia. The Group holds 15% of the company's outstanding capital.

**Joussour Holding Company:** Joussour is a private equity firm that focuses on petrochemicals, energy intensive industries, and infrastructure. The Savola group investment represents 15% of its total equity. In 2014 and the Group booked an impairment provision of SAR19.6 mn for its investment in Joussour.

**Intaj Capital:** Intaj is a private equity fund managed by Swicorp. It focuses on industries driven by consumer demand in the MENA region. The Savola group's investment in this fund is SAR 179 mn, which represents 49% ownership. In 2014, the group booked an impairment provision of SAR47.8 mn for its investment in Intaj.

### Real estate investments

Savola group has various investments in companies engaged in real estate projects.

**Kinan International Company for Real Estate Development:** The Savola group owns 29.9% of the company and focuses on two sectors – residential and commercial. The group also has representatives on Kinan's Board of directors.

**Knowledge Economic city:** Savola owns 11.5% (6.4% direct and the remaining indirect) in Knowledge Economic City which is listed on Tadawul.

**Taamer Jordan Holdings Company:** The Savola group owns 5.0% of Taamer Jordan Holdings Company which is listed on the Amman stock exchange.

*Savola Group boasts staggering investments in investment funds and real-estate businesses.*

Savola's revenues per country and line of business

Business line/Country (SAR mn)	2013	2014	2015	9M 2016
Total revenues	25,618	26,923	26,790	19,001
Consolidated intercompany elimination	-337	-336	-364	-241
<b>Revenues – net</b>	<b>25,281</b>	<b>26,588</b>	<b>26,425</b>	<b>18,760</b>
<b>Edible oil and vegetable ghee</b>				
KSA, GCC, Yemen and Levant	2,287	2,176	2,093	-
Egypt	1,040	1,219	1,304	-
Iran	3,914	3,463	2,702	-
Kazakhstan	136	29	0	-
Sudan	280	615	718	-
Morocco	315	295	276	-
Turkey	1,119	1,004	945	-
Algeria	627	547	467	-
<b>Total edible oil</b>	<b>9,697</b>	<b>9,341</b>	<b>8,482</b>	<b>5,844</b>
<b>Pasta product - Egypt</b>				
<b>Total Pasta</b>	<b>463</b>	<b>500</b>	<b>527</b>	<b>429</b>
<b>Sugar and sweeteners</b>				
KSA, GCC, Yemen and Levant	2,836	2,938	2,478	2,066
Egypt	1,556	1,833	1,735	301
<b>Total sugar &amp; sweeteners</b>	<b>4,392</b>	<b>4,751</b>	<b>4,102</b>	<b>2,367</b>
<b>Retail</b>				
KSA - Hyper Panda, Supermarket and Convenience stores	10,518	11,893	13,210	-
UAE – Hyper Panda	297	312	313	-
Egypt – Hyper Panda	0	0	10	-
Lebanon - Supermarket	110	0	0	-
<b>Total retail</b>	<b>10,925</b>	<b>12,204</b>	<b>13,533</b>	<b>10,320</b>
<b>Others</b>				
Real estate, KSA	141	127	145	41
<b>Total other activities</b>	<b>141</b>	<b>127</b>	<b>145</b>	<b>41</b>

*Savola's edible oil business is active in a wide range of countries.*

*The pasta factories are located in Egypt.*

*The sugar business lies in Saudi Arabia and Egypt.*

*The retail business focuses on Saudi Arabia, Dubai and Egypt.*

*Small contribution from real estate operations.*

Source: Savola Group

\*FY15 top line will be adjusted to account for the new accounting treatment of united sugar Egypt.

## Investment Highlights

### Continued focus on developing core businesses

Savola group continues to focus on the core food and retail sectors by through acquisitions and divesting non-core assets. This should be positive for the stock as the focus on core businesses enables the company to operate efficiently while increasing revenues. After a spate of acquisitions in 2011-13, Savola made some striking divestments in 2014. The company sold its edible oil assets and operations in the Republic of Kazakhstan for SAR107 million. In the same year, the Group sold its entire 30.4% stake in the Masharef real estate development project in Jeddah to Kinan International Real Estate Development Company for SAR 593.5 million. It also divested Savola Packaging Systems Company to Takween Advanced Industries for SAR 910 million. In addition, Savola also granted more autonomy and flexibility to the Group's operating companies to manage their own affairs.

*Savola granted more autonomy and flexibility to the Group's operating companies to manage their own affairs within the terms of a governance model that defines their relationship with the parent company.*

As mentioned above, Savola also wrapped up several acquisitions as part of its strategic focus on core businesses during the 2011-2013 period. In 2010/11, the company acquired pasta business in Egypt which was the largest acquisition made by the Savola Foods. In 2012, the group made investment of SAR 2.0 bn by acquiring additional stake of 6.5% in Almarai. In 2013, the group purchased Al-Muhaidib's stakes in SFC (10.0%) and Panda (18.6%). In 2014, the group started beet sugar operations in Egypt and completed capacity expansion of Afia plant in Saudi Arabia. In 2015, Savola acquired a 90% stake in Notrika Golden Wheat Company which owns the Pech Pech bakery trademark in Iran in a deal worth SAR 40.8 million.

Over the next few years, the group's organic growth for foods segment is expected to be fueled by capacity expansion, while retail segment is expected to be fueled by stores expansion.

### Capacity expansion and product diversification to underpin organic growth in the foods segment

Large population base (about 400 mn in countries where Savola operates) continues to drive the consumption of basic commodities, presenting notable opportunities for Savola's foods segment. Given the company's current production capacity of 2.1 mn MT of edible oil and 2.25 mn MT of sugar, this presents a large market opportunity for Savola. In 2015, Savola signed an agreement with Thai Union Group to produce high quality sea foods for the group's customers in the middle east. The initial investment of the joint venture is estimated at SAR 112.5 million and will be equally allocated between the two partners.

*We believe the company could embark on a major capacity expansion to capture this large opportunity.*

We believe the company could embark on a major capacity expansion to capture this large opportunity. Additionally, Savola could leverage its brand image and marketing capabilities to tap export potential in neighboring. We also believe the company could enter adjacent and complementary new product categories. .

### Retail sector to play key role – aggressive store expansion to drive growth

Panda, Savola's retail segment, is the one of the largest retailer in Saudi Arabia seizing a market share of 3.3% in the general retail market in Saudi Arabia as well 11% of mass grocery sales. The company's network includes a hypermarket in Dubai, as well as two supermarkets in Egypt; the first launched its operations in September 2015. Accordingly, Panda retail stretched its market to 125 million customers.

*Panda retail stretched its market to 125 million customers.*

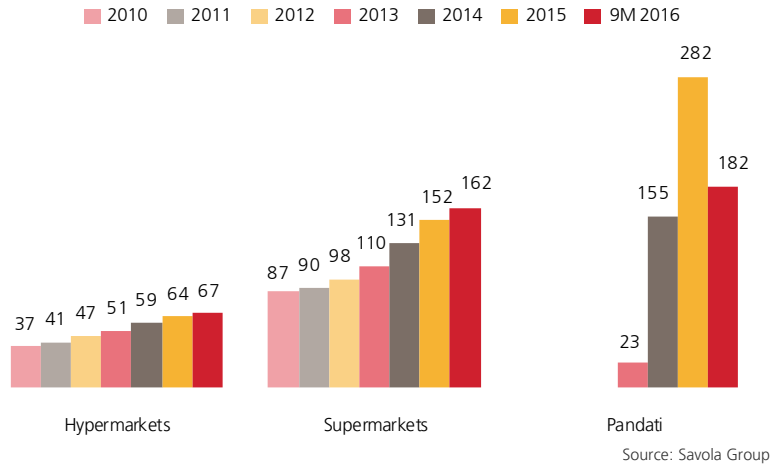
Traditional convenience stores (less than 100 meters) still represent a major chunk of the market in the kingdom accounting for 43.5% retail food sales in 2014, thus offering huge potentials for organized retail chains, especially potential more stringent Saudization requirements for the traditional convenience stores.

In 2015, Panda opened 151 new stores taking the total store count to 496 in the kingdom (498 including offshore outlets). The majority of the store openings was in the Pandati convenience stores (127), followed by supermarkets (20) and hypermarkets (4). In 9M 2016, Panda reconsidered its expansions adding only 3 hypermarkets, 11 supermarkets (aside from the second supermarket in Egypt) and one Pandati store. Nevertheless, Panda shutdown 101 Pandati stores and one supermarket during the period.

## Strong distribution network supports store expansion

The Savola group is also building new warehouses and increasing its fleet of trucks which would facilitate in improving the distribution channels. Panda continues to strengthen its distribution network to support its aggressive store expansion plans. In addition to the 92,500 sq mt distribution center in Riyadh, Panda launched operations in another distribution center in King Abdullah Economic City (KAEC) with a built up area of over 107,000 sq mt..

### Aggressive store expansion (Including Egypt and Dubai)



*Panda launched operations in a distribution center in King Abdullah Economic City (KAEC).*

*The Savola group's aggressive store expansion plans to positively impact its top-line but weigh on its bottom-line in the short term.*

The mounting contribution of retail segment in Savola's top-line (54% in 9M 2016 vs 53% in 9M 2015) indicates the sector's growing importance. We expect the Savola group's aggressive store expansion plans to positively impact its top-line but weigh on its bottom-line in the short term.

## Strategic investments yielding fruitful results

Savola has made significant investments in complementary businesses that continue to yield positive results and add to the bottom line. Key investments include Almarai and Herfy Foods. We note that the investments at book value are significantly lower than the current market value.

### Investments in Listed Associates– Q3 2016

Investment (SAR mn)	Ownership	Net Profit	Book value of investments*	Market value of Investments*
Almarai	36.52%	308.5	6,457	19,356
Herfy	49.00%	53.6	421	1,817
Knowledge City*	17.00%	(7.6)	313	917

\* direct and indirect

Source: Savola Group, Albilad Capital Research Estimates

*Savola has made significant investments in complementary businesses that continue to yield positive results and add to the bottom line.*

*Large population base of ~380 million coupled with favorable demographics.*

## Large population base and favorable demographics to drive food and retail sectors

Large population base of ~380 million coupled with favorable demographics such as rising literacy and modernization continue to drive retail and food markets in the MENA region.

Saudi Arabia is the largest member in the GCC region in terms of population size (31.7 million, according to the Central Department of Statistics and Information). Apart from the size, the country also has significant proportion of young population which provides best markets for food and beverages companies. It is estimated that by 2050, Saudi Arabia's national population is expected to grow by 75.0%. This population boom will outpace the current rate of food production. We expect high population growth rates and prolonged life expectancy to create pressure on future food resources. At the same time it provides growth opportunities for companies operating in the food segment. Presence of a large population base is expected to drive the consumption of basic commodities

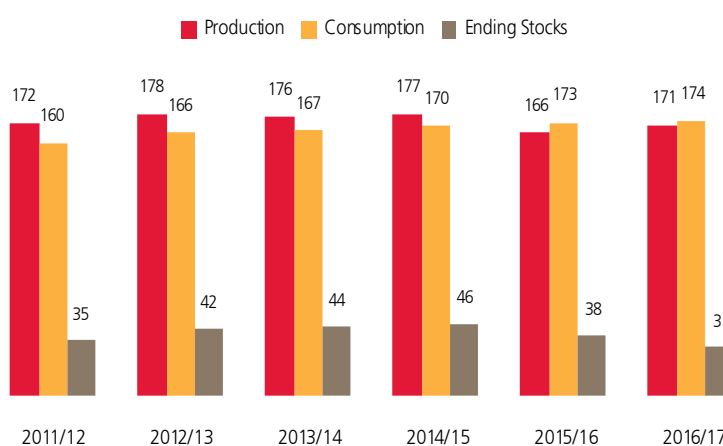


## Deficit in Sugar Production to Drive up Prices

In its most recent report on November 17, 2016, the US Department of Agriculture (USDA) estimated global sugar production improve to 170.9 million tons in 2016/2017 from 165.8 million tons in the previous season triggered by increase the production level of Brazil from 34.7 million tons in 2015/2016 to 37.8 million tons in the current season, as well as the growth in estimated production level of European union from 14.28 million tons to 16.2 million tons. Brazil is forecasted to contribute 22% of global production, followed by India with a market share of 14%. The largest five producers are anticipated to produce 96.7 million tons in 2016/2017 deriving 56.6% of global production.

Global consumption is forecasted to reach a record level of 173.6 million tons in 2016/2017 up from 172.5 million tons in 2015/2016. Indian consumption is expected to hit 27.2 million tons contributing 15.67% of global consumption. The world consumption is less concentrated than production with five consumers contributing 49% of global consumption.

World Sugar balance (mn tons, raw value)



Source: USDA

Global sugar production improve to 170.9 million tons in 2016/2017 from 165.8 million tons in the previous season. Global consumption is forecasted to reach a record level of 173.6 million tons in 2016/2017 up from 172.5 million tons in 2015/2016.

Largest Ten Producers in 2016/2017

Country	Million Tons	Market Share
Brazil	37.8	22.1%
India	23.9	14.0%
EU	16.2	9.5%
China	9.5	5.6%
Thailand	9.3	5.4%
United States	8.5	5.0%
Mexico	6.7	3.9%
Pakistan	5.7	3.3%
Russia	5.6	3.3%
Australia	5.1	3.0%
Others	42.6	24.9%

Source: USDA

Largest Ten Consumers in 2016/2017

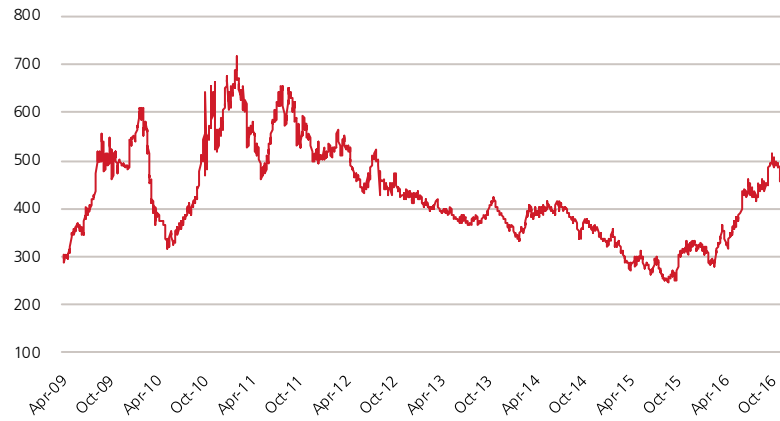
Country	Million Tons	Market Share
India	27.2	15.7%
EU	18.8	10.8%
China	17.5	10.1%
United States	10.9	6.3%
Brazil	10.8	6.2%
Russia	6.1	3.5%
Indonesia	5.7	3.3%
Pakistan	4.8	2.8%
Mexico	4.7	2.7%
Egypt	3.0	1.7%
Others	64.2	37.0%

Source: USDA

*The forecasted deficit in production is expected to drive up the sugar price.*

After successive surplus in production since 2010-11, the market is estimated to shift into a deficit into 2015/2016 and 2016/2017 according to USDA estimates. Global prices of sugar are also correlated with oil prices as Brazilian cane producers are enticed to allocate more beet for ethanol production should oil prices edged up. We expect the forecasted deficit in production is expected to drive up the sugar price.

International Sugar Organization Daily Sugar Price (USD/Ton)



Source: Bloomberg

*Saudi Arabia is the 12th largest importer of sugar in the world with imports of 1.4 million tons in 2016/2017.*

## Sugar - Saudi Arabia

Saudi Arabia is the 12th largest importer of sugar in the world with imports of 1.4 million tons in 2016/2017 according to USDA; the kingdom is entirely reliant on imports. United Sugar Company, a subsidiary of Savola, has a refining capacity of 1.3 million tons per annum according to the annual report 2015, and embarked on a plan to boost its capacity to 1.7 million tons. Alreef Sugar is planning to set up its own refinery facility in Jizan with a production capacity of 1 million tons per annum and has secured financing from the Saudi Industrial Development fund.

## Sugar - Egypt

Sugarcane industry in Egypt dates back to the year 710 AD. Cane plantations in the country are concentrated in the areas of Upper Egypt specifically in Menia, Sohag, Qena, Luxor and Aswan, while sugar beet is highly prevalent in lower Egypt.

For the season 2016/2017, the total raw sugar production is expected to increase by 2.8% hitting 2.19 mn mt vs 2.13 mn mt in in the season 2015/16. Water scarcity remains one of the main challenges that hinder agricultural expansion and development in Egypt's desert as well as competition with other crops particularly wheat. For 2016/2017, total sugar consumption is expected to increase by 0.68% from 2.95 million mt to 2.93 million mt driven by population growth. As sugar consumption in Egypt is primarily driven by population growth, we expect the consumption to grow modestly in long run. According to USDA, imports are estimated at 830k tons in 2016/2017. Occasionally, the locally produced sugar encounters intense competition with the low-cost imported sugar especially from Brazil, thus pushing the government to implement measures to protect its domestic sugar industry.

Egypt has nine factories for the production of sugar from cane in Upper Egypt a production capacity of about one million tons, while the estimate for the current year production stands at about 915k tons of sugar. The sugarcane plants are run by the state-owned Sugar and Integrated Industries Company. Furthermore, there are four stated-owned companies for the production of sugar from beet-state and two private companies including Alexandria Sugar Company, a subsidiary of Savola. The production of sugar beet companies is expected to hover around 1.2 million tons in the current season. Alexandria Sugar has a production capacity of 200,000 tons, according to the company's annual report for 2015. In addition, Savola has a sugar refinery in Ain Sokhna which relies on raw imported sugar and has a production capacity of approximately 740,000 tons according to the FY15 annual report.

In Q4 2016, Egypt has experienced a huge shortage in the supply of sugar; a crisis triggered by the supply of foreign exchange and high world sugar prices which limited the volume of imports, however the Egyptian government has taken several measures that would remarkably ease the crisis such as floatation of the Egyptian pound, the abolition of a 20% tax on white sugar imports on November 10, buying large quantities from Brazil and raising subsidized sugar prices.

*Total sugar consumption in Egypt is expected to increase slightly.*

## Retail Segment

### Saudi Arabia – largest retail market in GCC Countries

*Saudi Arabia's retail sales are estimated at SAR 405 bn in 2015.*

Saudi Arabia's retail sales are estimated at SAR 407 billion (USD 108.5 billion) in 2016, as per a recent report published by Economist Intelligence Unit (EIU). The kingdom has a large population base of 31.7 million that is growing rapidly (+2.3%) making it a promising market for retailers. Retail sales are predicted to hit SAR 419.5 billion (USD 111.9 billion) in 2016 with food sales approaching SAR 195.4 billion (USD 52.1 billion).

Retail sales in Saudi Arabia	2015E	2016F	2017F	2018F	2019F
Nominal GDP (USD bn)	653.2	672.0	747.0	827.1	855.6
Retail sales (SAR bn)	407.0	419.5	438.7	462.1	486.5
Retail sales (USD bn)	108.5	111.9	117.0	123.2	129.7
Retail sales, value growth	4.8%	3.1%	4.6%	5.4%	5.3%
Retail sales, volume growth	2.6%	-1.6%	%0.5	1.9%	2.0%
Non-food retail sales (USD bn)	57.5	59.7	62.8	66.8	70.9
Food retail sales (USD bn)	50.8	52.1	54.2	56.5	58.8
Consumer price inflation - average	2.2%	4.7%	4.1%	3.4%	3.2%

Source: EIU

With almost a 29% of total population below the age of 14, retail purchasing is dominated by young people. Hypermarkets and supermarkets are key retail formats, hypermarkets compose around 18% of total retail food sales. Supermarkets account for a further 26% of food sales.

*hypermarkets compose around 18% of total retail food sales. Smaller supermarkets account for a further 26% of food sales.*

Most of the supply of food products is met by imports given the limited water resources in Saudi Arabia. Cheap oil contributed to abundant global supplies of food. Besides this, prospects of a bumper crop for wheat, maize and rice contributed to the sharp decline in international food prices, which is gradually transferred to the local market through competition.

Food, beverages & tobacco consumption	2015E	2016F	2017F	2018F	2019F
Food, beverages & tobacco (consumer expenditure; USD bn)	57.1	59.5	62.0	65.5	69.2
Food, beverages & tobacco (% of household spending)	21.7	21.1	20.6	20.4	20.2
Food, beverages & tobacco (market demand; USD bn)	155.0	162.1	169.1	176.7	184.2
Food, beverages & tobacco (market demand; % real growth)	-0.4	0.0	0.3	1.1	1.1

Source: EIU

Consumer products: market demand	2015E	2016F	2017F	2018F	2019F
Clothing (USD mn)	11,237	12,155	13,092	14,006	14,934
Footwear (USD mn)	1,064	1,130	1,197	1,265	1,335
Household furniture (USD mn)	7,226	7,982	8,781	9,680	10,637
Household textile products (USD mn)	10,156	10,808	11,462	12,190	12,932
Soaps & cleaners (USD mn)	6,602	7,219	7,858	8,565	9,302
Electrical appliances & housewares (USD mn)	9,529	10,389	11,271	12,247	13,260
Household audio & video equipment (USD mn)	341	376	412	452	495
Television (stock per 1,000 people)	535	546	557	568	579
PCs ('000 units)	10,493	10,701	10,828	10,871	10,839

Source: EIU

## Retail-UAE

The sales of the retail sector in the UAE is forecasted to hit USD 72.7 billion in 2016 compared to USD 72.1 billion in 2015, according to EIU estimates. The limited growth is driven by repercussions of low oil prices and despite continued growth in incoming tourism. Food sales are expected to remain highly unchanged at USD 25.2 billion, thus representing 34.7% of total sales compared to 47.8% in Saudi Arabia and 59% in Egypt.

Dubai is expected to continue to be the first shopping destination in the UAE driven by the international events that will held there. It is noteworthy that the UAE produces only about 30% of its food needs, so the country relies significantly on imports. The diversity of the structure of foreign labor in the UAE creates a demand for a large variety of different goods.

*The sales of the retail sector in the UAE is forecasted to hit USD 67.0 billion in 2016 compared to USD 68.6 billion in 2015, according to EIU estimates.*

Retail sales in UAE	2015F	2016F	2017F	2018F	2019F
Nominal GDP (USD bn)	368.1	374.5	411.4	451.3	486.2
Retail sales (AED bn)	264.8	267.1	275.6	287.2	300.8
Retail sales (USD bn)	72.1	72.7	75.0	78.2	81.9
Retail sales, value growth	1.8%	0.9%	3.2%	4.2%	4.7%
Retail sales, volume growth	-2.2%	-2.2%	-0.4%	0.4%	1.3%
Non-food retail sales (USD bn)	46.8	47.6	49.4	51.8	54.5
Food retail sales (USD bn)	25.3	25.2	25.7	26.5	27.4
Consumer price inflation - average	4.1%	3.1%	3.6%	3.8%	3.4%

Source: EIU

## Retail – Egypt

The retail sector in Egypt has undergone a significant change in the last decade. With a population of over 92 million, Egypt is one of the largest markets in Africa and the Arab world. The EIU forecasts retail sales to edge up at a real rate of 3.2% on average during the period (2016-2020). The low growth is triggered by weak economic recovery and wages restrictions. The nominal growth in the same period is forecasted to average 12.1% reflecting high inflation coupled with the depreciation of the Egyptian pound. The EIU predicts retail sales to hit USD 119.8 billion in 2016 down from USD 133.3 billion in 2015 falling by 11.3%. Food retail sales are estimated at USD 69.3 billion, or about 58% of total sales. Most Egyptians tend to shop from small grocery stores or markets to buy fresh products, however the growth of the middle class and changing lifestyle will boost the demand for retail chains.

The last period witnessed increasing interest from Saudi retailers to invest in Egypt's staggering retail market. Panda Retail Company launched two super markets in Egypt since the beginning of September 2015 as part of a plan to open 16 branches in Egypt's governorates. Othaim Markets Company opened 11 branches in Egypt in less than a year.

*The EIU predicts retail sales to hit USD 119.8 billion in 2016 down from USD 133.3 billion in 2015.*

Retail sales in Egypt	2015F	2016F	2017F	2018F	2019F
Nominal GDP (USD bn)	315.0	281.0	288.3	294.4	318.2
Retail sales (USD bn)	133.3	119.8	120.8	120.8	127.9
Retail sales, value growth	%4.8	%10.2-	%0.9	%0.1-	%5.9
Retail sales, volume growth	%3.4	%0.9	%0.6	%1.3-	%1.1
Non-food retail sales (USD bn)	55.4	50.4	51.4	52.4	55.8
Food retail sales (USD bn)	77.9	69.3	69.5	68.4	72.1
Consumer price inflation - average	%10.4	%12.1	%12.8	%13.2	%12.7

Source: EIU

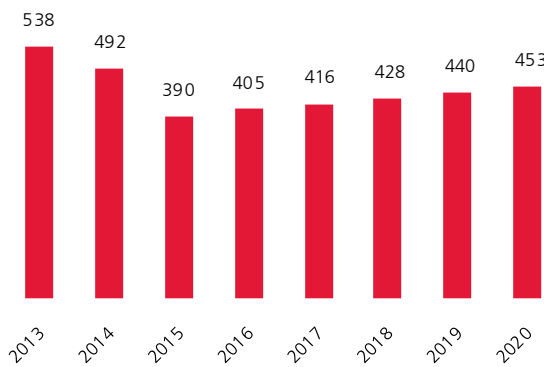
## Capitalizing on Attractive materials prices

Savola's edible oil segment is reliant on a number of crops, namely corn, soybeans, sunflowers, palms and olive. Global corn consumption for 2016/17 is projected at a record 1,022 million tons, 64 million tons higher than in 2015/16. The largest increases are for China with consumption projected up 8.5 million tons and the United States with consumption projected up 15.8 million tons. In addition, USDA forecasts production to hit 1,031 million tons in 2016/17 climbing from 960 million tons thus enlarging the crop stock to 218.2 million tons from 209.4 million tons 2015/16.

Global oilseed production for 2016/17 is projected at 551.2 million tons, up 5.6% from 2015/16. Global soybean production is projected at 463.6 million tons, up 8.3 million. Soybeans is the main oilseed crops; the USDA forecasts supply and consumption at 333 MILLION TONS AND 329 million tons, respectively.

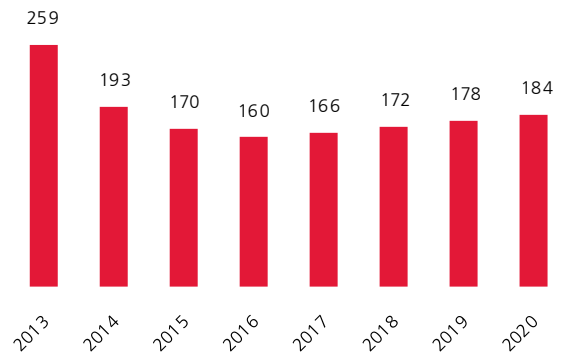
*Savola's edible oil segment is reliant on a number of crops, namely corn, soybeans, sunflowers, palms and olive.*

Average Annual Soybeans Price (USD/metric ton)



Source: USDA, The World Bank

Average Annual Maize Price (USD/metric ton)

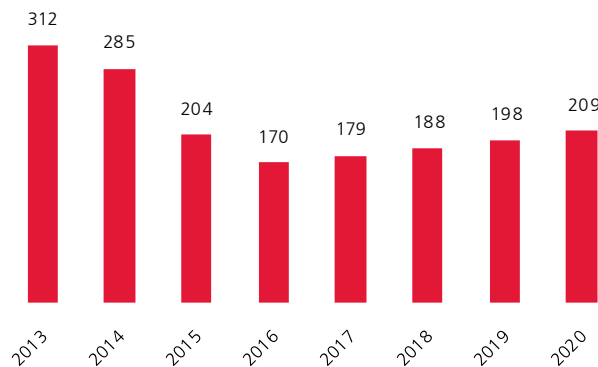


Source: USDA, The World Bank

*Wheat is used as the main ingredient in the manufacturing of pasta.*

Wheat is used as the main ingredient in the manufacturing of pasta. The USDA predicted global wheat supplies to rise 1% in 2016/2017 to 745 million tons up from a record level of 735 million tons in 2015/2016. Global wheat consumption for the new season is projected to increase 3.5% from 2015/16 to 736.5 million tons. Global ending stocks for 2016/17 are projected at a record 249 million tons, up 8.2 million from 2015/16.

Average Annual Wheat, US, HRW Price (USD/metric ton)



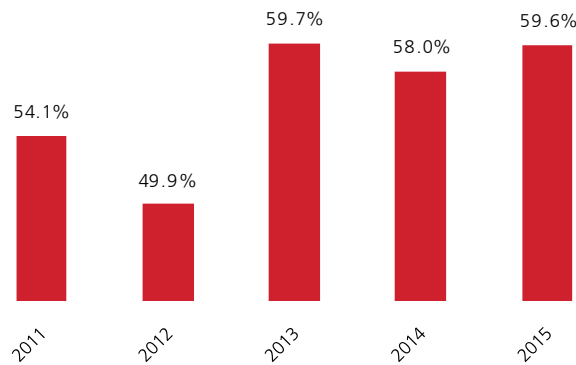
Source: USDA, The World Bank

## Dividends Policy

*The quarter dividend was trimmed to SAR 0.25 per share in 9M 2016.*

Savola is a dividend paying company with an quarter dividend policy. A constant dividend of SAR 0.5/share was paid in each quarter in 2015. The quarter dividend was trimmed to SAR 0.25 per share in 9M 2016. The payout ratio is expected to shrink reflecting improved profitability. Going forward, Savola is forecasted to return between 50% and 60% of its net earnings in cash dividends to shareholders.

Dividend Payout Ratio (%)



Source: Savola Group

## Investment Risks

### Operations in Iran

*Iran is contributed 10% of the group's total revenues in 9M 2016.*

Since the tightening of sanctions on Iran in 2012, Savola has been closely monitoring the situation in the country and had initiated steps which ensured any major fiscal or functional events do not affect the group's overall financial performance. Iran is an important edible oil market for Savola accounting for 31.5% of edible oil revenues and 10.2% of the group's total revenues in 2015.

Operations in Iran	2013	2014	2015
<b>Foods sector - Edible oil and vegetable ghee</b>			
Sales (SAR mn)	3,914	3,463	2,702
Iran contribution in total Edible oil revenues	40.4%	37.1%	31.5%
Iran contribution in total revenues	13.8%	13.3%	10.2%

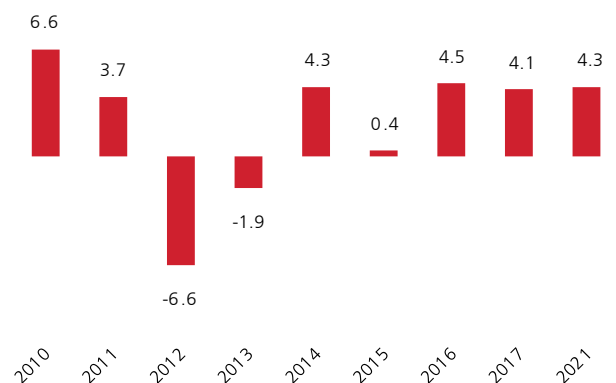
Source: Savola Group

Iran's nuclear deal has enticed investors to tap the robust potentials of the USD 400bn economy. With a population of 78 million and annual output higher than that of Thailand or the UAE and taking into account improving foreign trade and economy, specific companies that could benefit in the short-to-medium term such as include Savola Group but challenging economic and political conditions, especially following the cut of relations between Saudi Arabia and Iran, are expected to negatively affect the growth prospects.

Economically, the IMF expects Iran's real GDP to rise by 4.5% at least through the year 2016/2017 fueled by the ease of international sanctions. The oil production approached the pre-sanctions level thus mitigating the impact of the sharp decline in oil prices. The growth in agriculture, automobile production, trade and transport sectors also led the growth in non-oil economy. On the other hand, the IMF expects the total fiscal deficit ratio to reach 2.7% of GDP in 2017/2016 from 1.7% in 2016/2015 due to increased debt burdens and lax fiscal and monetary policies. Nevertheless, the recent economic variables will be tested following the election of the new American administration, which is expected to pursue a hard-line approach towards Iran.

*Iran has population of 78 million.*

Iran Real GDP Growth



Source: IMF

## Savola's operations in unstable markets

Savola's presence in some unstable markets is a matter of concern. Political and economic conditions in countries like Egypt and Iran are expected to significantly impact the company's operational performance.

## Delays in capacity expansion and store expansion plans to impact profitability

Any delays in executing store expansion plans in the retail segment and capacity expansion plans in foods segment are expected to have a negative impact on the company's top-line.

## Fluctuations in materials prices

The cost structure and prices significantly rely on competitive factors and the global prices of agricultural materials used in the production process, such as corn, soybeans and wheat as well as changes in the supply of sugar, and the impact of climate change and oil prices.

## Currency risk

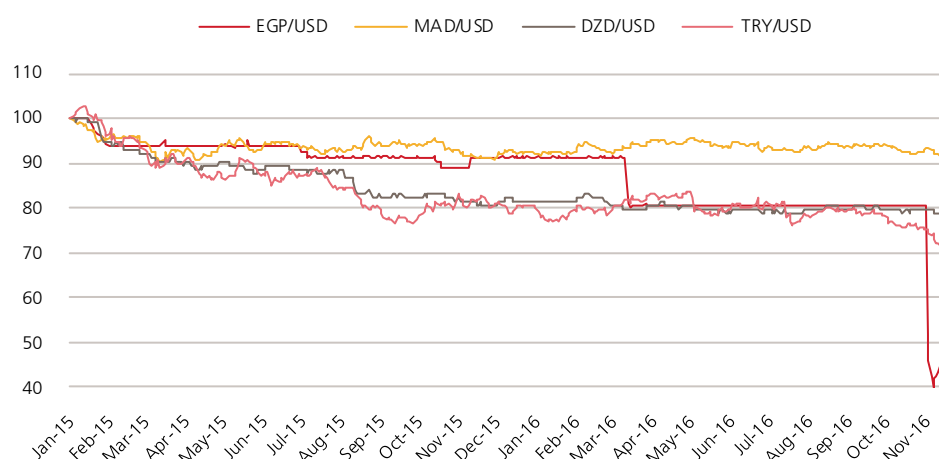
Transactions of the Savola group are implemented in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, and Turkish Lira as well as other currencies. As the group operates internationally, it is remarkably exposed to foreign exchange risk arising from various currency exposures. Savola also has investments in foreign subsidiaries and associates, whose assets are exposed to currency translation risk as well. The Egyptian government has recently floated exchange rate of the Egyptian pound against the US dollar. Savola predicted a loss of SAR 171 million in Q4 2016 based on the exchange rate that followed the floatation. We believe that the impact may exceed the disclosed figure as the pound has depreciated sharply after the statement. The US dollar in Sudan is also traded at three times its fixed rate.

*As the group operates internationally it is significantly exposed to foreign exchange risk arising from various currency exposures.*

Savola Business line in Egypt (SAR'000)	2013	2014	2015
Edible oil and vegetable ghee	1,039,660	1,219,436	1,303,857
Pasta	463,328	499,874	527,301
Sugar and sweeteners	1,556,094	1,833,017	1,734,557
Hyper Panda	-	-	10,103
<b>Total Egypt Revenues</b>	<b>3,059,082</b>	<b>3,552,327</b>	<b>3,575,818</b>
Egypt contribution in total revenues	11.6%	13.5%	13.1%

Source: Savola Group

## Exchange Rates of some foreign currencies against US Dollar



Source: Bloomberg

*Panda closed 101 Pandati stores and two supermarkets in 9M 2016.*

## Aggressive retail expansions may backfire

In spite of the robust expansions, Panda closed 101 Pandati stores and two supermarkets in 9M 2016. Any future failure to cope with market dynamics may result in lower margins and squeezed revenues growth. Many prerequisites exist for the success of expansions such as geographical distribution and selling mix.

Income Statement (SAR mn)	2013A*	2014A*	2015A**	2016E	2017	2018
<b>Total Revenues</b>	<b>25,281</b>	<b>26,588</b>	<b>26,425</b>	<b>25,107</b>	<b>25,304</b>	<b>26,148</b>
Revenues Growth	-7.7%	5.2%	-0.6%	-5.0%	0.8%	3.3%
COGS	20,507	21,724	21,332	20,251	20,408	21,096
COGS/Sales	81.1%	81.7%	80.7%	80.7%	80.7%	80.7%
Gross Margin	18.9%	18.3%	19.3%	19.3%	19.3%	19.3%
SG&A	3,044	3,387	4,064	4,469	4,369	4,424
SG&A/Sales	12.0%	12.7%	15.4%	17.8%	17.3%	16.9%
Income from Investments	760	978	796	893	957	1,083
<b>EBITDA</b>	<b>3,147</b>	<b>3,082</b>	<b>2,449</b>	<b>2,018</b>	<b>2,245</b>	<b>2,484</b>
EBITDA Margin	12.4%	11.6%	9.3%	8.0%	8.9%	9.5%
Depreciation and amortization	657	628	624	737	761	774
<b>EBIT</b>	<b>2,490</b>	<b>2,455</b>	<b>1,826</b>	<b>1,280</b>	<b>1,484</b>	<b>1,710</b>
EBIT Margin	9.8%	9.2%	6.9%	5.1%	5.9%	6.5%
Net Interest Income	(240)	(237)	(207)	(357)	(370)	(395)
Others (Net)	201	193	430	(220)	22	22
<b>Pre-Tax Income</b>	<b>2,450</b>	<b>2,411</b>	<b>2,049</b>	<b>703</b>	<b>1,136</b>	<b>1,338</b>
Tax and Zakat	303	180	138	146	148	161
<b>Net Income</b>	<b>2,147</b>	<b>2,230</b>	<b>1,911</b>	<b>556</b>	<b>988</b>	<b>1,177</b>
Minority	443	158	119	(54)	49	59
<b>Net Income After Minority</b>	<b>1,704</b>	<b>2,072</b>	<b>1,792</b>	<b>611</b>	<b>939</b>	<b>1,118</b>
ROS	6.7%	7.8%	6.8%	2.4%	3.7%	4.3%

Balance Sheet (SAR mn)	2013A*	2014A*	2015A**	2016E	2017	2018
Cash and Marketable securities	1,364	1,635	2,067	1,411	1,359	1,223
Accounts Receivables	1,265	1,002	915	925	932	963
Inventory	4,488	4,413	4,840	4,461	4,496	4,648
Others	1,924	3,188	1,584	1,516	1,527	1,577
<b>Total ST Assets</b>	<b>9,040</b>	<b>10,238</b>	<b>9,406</b>	<b>8,312</b>	<b>8,314</b>	<b>8,410</b>
Property, Plant and Equipment (PP&E, net)	6,383	6,756	7,907	8,307	8,574	8,730
Intangible assets	1,344	1,166	1,114	1,109	1,094	1,079
Investments	7,943	7,921	8,430	9,004	9,904	10,943
Others	52	322	177	173	173	173
<b>Total LT Assets</b>	<b>15,722</b>	<b>16,164</b>	<b>17,628</b>	<b>18,592</b>	<b>19,745</b>	<b>20,925</b>
<b>Total Assets</b>	<b>24,763</b>	<b>26,402</b>	<b>27,034</b>	<b>26,905</b>	<b>28,059</b>	<b>29,335</b>
Short Term Debt and CPLTD	4,281	4,610	4,962	5,409	5,909	6,409
Accounts Payable	2,668	2,721	3,126	2,803	2,824	2,920
Others	2,153	2,830	2,104	2,308	2,326	2,404
<b>Total ST Liabilities</b>	<b>9,102</b>	<b>10,161</b>	<b>10,192</b>	<b>10,520</b>	<b>11,060</b>	<b>11,733</b>
Total Long Term Debt	4,126	4,603	4,579	4,117	4,317	4,417
Other Noncurrent Liabilities	643	709	757	827	819	824
Minority	1,241	962	956	1,015	1,015	1,015
<b>Equity</b>	<b>9,651</b>	<b>9,966</b>	<b>10,550</b>	<b>10,477</b>	<b>10,872</b>	<b>11,343</b>
<b>Total Liabilities and Equity</b>	<b>24,763</b>	<b>26,402</b>	<b>27,034</b>	<b>26,905</b>	<b>28,059</b>	<b>29,335</b>

Cash Flow (SAR mn)	2013A*	2014A*	2015A**	2016E	2017	2018
Operating Cash Flow	1,520	2,122	2,119	948	854	885
Financing Cash Flow	(919)	(694)	(1,001)	(505)	107	(106)
Investing Cash Flow	91	(1,017)	(527)	(1,130)	(1,012)	(915)
Change in Cash from continuing operations	692	411	592	(687)	(52)	(136)

Source: Company Filings, Albilad Capital Research Estimates

\* The company restated its financials for 2013 and 2014 to account for the sale of Savola Packaging Systems Co.

\*\* FY15 top line will be adjusted to account for the new accounting treatment of united sugar Egypt.

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.



## Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

**Overweight:** The Target share price exceeds the current share price by  $\geq 10\%$ .

**Neutral:** The Target share price is either more or less than the current share price by  $< 10\%$ .

**Underweight:** The Target share price is less than the current share price by  $\geq 10\%$ .

**To be Revised:** No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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