

Food Investments

A Story of Resilience and Excellence



Savola Foods is a leading producer of high-quality products including edible oils, vegetable ghee, sugar, pasta, seafood and baked goods. Savola Foods offers branded products, and specialty fats across more than 50 countries, and is a leader by market share in key markets throughout the Middle East, North Africa and Turkey (MENAT) Region.

Strategic Overview

2019 was a dynamic year in Savola Foods' journey, with a strategy to improve performance. While boasting a track record spanning some forty years, Savola Foods has in recent times been faced with rapid changes in geopolitical factors, consumer preferences and price competition by the second tier brands in edible oils and sugar. While the company has in previous years been able to defend its premium brands and market share while maintaining strong brand equity, 2019 was the continuation of onslaught on our brands as we changed gears from defence to offence to protect leading position.

The 2019 strategy "Restoring Greatness" is designed to bring Savola Foods back to its heyday of outperformance over the medium-term. The strategy rests on two core pillars: Refocusing the business and Realigning the organisation.

Refocusing the Business

Savola Foods refocused its business on its key categories; Edible Oil, Sugar, and Pasta. The focus has been on reenergizing the key categories dominance through stronger communication with the consumer, reemphasising premium brands, and continuing to excel in product quality and market share growth.

In 2019, Savola Foods began anchoring its current brands towards younger consumers by overhauling marketing and packaging. There was a focus on innovation, with research into new product formulations that younger consumers value. Market research was commissioned to better understand changing preferences. Innovation led to new products being introduced in both B2C and B2B categories; with fine sugar, wider range of spray oils, and new speciality fat products a few examples.

The refocus also emphasises promising B2B lines, such as Savola Foods' growing speciality oils and fats business, and a new food service offering that targets the HORECA sector.

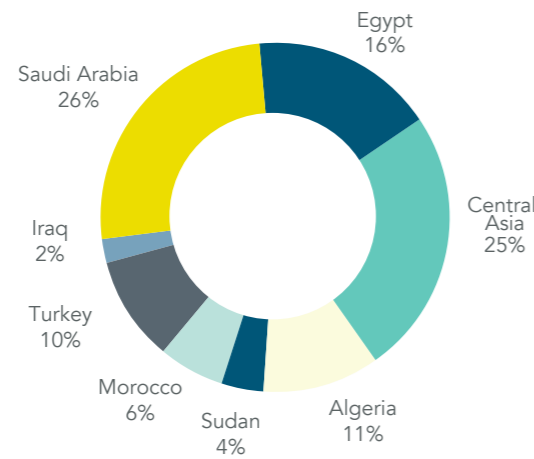


Food Investments

MT* Total sales volume (millions)

1.6

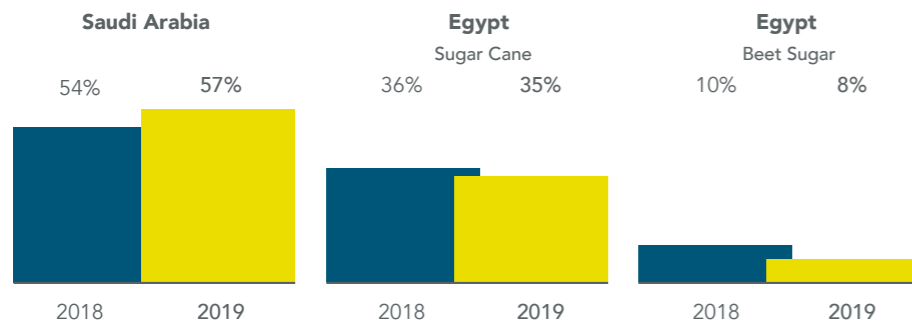
Edible oil sales volume by country (including exports)



MT* Total sales volume (including exports) (millions)

2.2

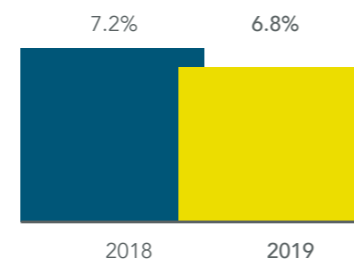
Sugar sales volume by country (including exports)



MT* Total sales volume (including exports)

279,336

Pasta sales volume (including exports)



* Metric Tonnes



Realigning the Organisation

In 2019, Savola Foods began changing its internal structure to support the outreach and innovation its new strategy demanded. The previous geographically devolved manufacturing structure was replaced by a central Product Supply vertical led by a Chief Product Supply Officer. This centralisation of expertise and oversight aims to deliver best practice sharing, economies of scale and more efficient use of manufacturing facilities across Savola Foods' global presence. Some other functions, including export, were also centralised to benefit from synergy and economies of scale.

The internal realignment also saw the creation of a B2B vertical in 2019 to support the food services and speciality fats business. The new vertical aims at increasing Savola Foods presence in this important and growing part of the market.

By end 2019, the "Restore Greatness" strategy was already demonstrating results. Gross margins also improved to 14.9 percent for 2019, from 12.5 percent in 2018.

While macroeconomic conditions across key territories coupled with geopolitical turbulence in other markets resulted in a slight drop in volume in 2019, the broad-based efficiencies and a disciplined approach led to EBITDA improvement to SAR 741 million in 2019, compared to SAR 553 million the year before.

+50%

Edible Oils market share in Arabia

+70%

Al Osra brand market share

8%

Pasta revenue increase in Egypt