

Q&A INTERVIEW

Uniting Culture Through Cuisine

Almarai's role as one of the largest food providers in Saudi Arabia and the region, and the investments extending its reach across the agrifood value chain.

FORMAT: Q&A | SECTOR: FOOD & BEVERAGE | MARKET: SAUDI ARABIA | SUBJECT: ALMARAI COMPANY

"The government is looking to improve our quality of life, and as a trusted partner for food supply and services, we have a role to play in making this a reality."

ABDULLAH AL-BADER · ALMARAI

Can you give us a brief history of Almarai Company and its journey to becoming a diversified food producer and distributor across Saudi Arabia and the region?

We began our business in 1977 with dairy farms. In the late 1990s we moved into centralized processing and manufacturing plants. In 2005 we went public, which was a key milestone for the company. From then we began diversifying our portfolio into areas such as juice. We got into the bakery business in 2009 and in the same year entered the poultry segment through a strategic acquisition. When we got into the latter segment, we significantly enhanced the standards offered in Saudi Arabia. We also went into baby food, which is a very specialized category, and are now the only bland baby food producer in the Middle East. We also formed a joint venture with PepsiCo in 2009 and expanded in Egypt and Jordan. We then acquired other companies in the frozen bakery segment and expanded more overseas to secure a mature supply of high-quality livestock feed. Around 20 years ago we were the equivalent size of many dairy companies in Saudi Arabia, but with our drive, pride and trust, we have outgrown this size by around 10 times. Food security is a critical resource. Our people are committed, and many governments in many markets rely on us.

We have always worked on duplicating our success in different categories. We are very good at sourcing and managing the entire supply chain, including raw material feed for livestock, processing and distribution. Our trade relations are also very strong, and we have created more than 10 brands. We have done a better job than companies that specialize in distribution and logistics. We have been successful in every part of our business and are ahead of companies that are not vertically integrated. Almarai has made calculated investments based on risk mitigation that do not inhibit growth. We have continued our growth trajectory even through difficult periods. We have expanded our presence in the food service sector where end consumers may not necessarily see the brand of our product. Our recent financial results have improved, but we still need to continue doing more. We aim to be more efficient; we have never been complacent, but we do not want to come even close. We are constantly looking into different sectors or channels where we can take the lead and widen our presence. We have a responsibility toward our stakeholders to ensure all investments are well governed and yield positive outcomes. Our approach is to be the first in the market. We believe we have what it takes to continue to be successful.

What recent milestones has the company passed to take the company through its next stage of growth?

We recently announced our investment in the red meat category. Red meat is mostly sold unbranded in bulk. We believe there are challenges that our consumers are facing that are not addressed. We aim to strengthen the processing side and quality standards in this segment. Without our ability to reach consumers and our high level of service, we would not be able to enter this market and establish a more developed product. Another recent investment announcement involves enhancing the consumption and complete value chain of seafood. Seafood consumption in Saudi Arabia is growing rapidly due to its obvious health benefits. There are currently many challenges regarding sourcing seafood and its delivery conditions. We want to provide a product that is clean and not only ready to cook but ready to eat. While this is available in other regions, the standards are not as high as they can be in Saudi Arabia. Demand for this product is enormous. We have begun importing the packaging and product and will follow up with a processing facility.

What benefits did the company gain through its joint venture with PepsiCo, International Dairy and Juice?

We are always in search of collaborations and capabilities to enhance our operations. The joint venture with PepsiCo was based on their presence in international markets and our capability of making fresher and more chilled food products as well as our knowledge of local markets. We learned a lot from each other, and it went well for a long time. Recently Almarai and PepsiCo decided that for further expansion Almarai would buy PepsiCo's share and we have been satisfied with the results. We are set for even more expansion in Egypt in particular. Egypt is a hub and strategic market in Africa and North Africa. We are also exploring opportunities for expansion in the UAE and Jordan. We see Jordan as a potential hub for the area and may use it as a base to expand into other countries.



Abdullah Al-Bader
CEO

What impact will the recently acquired storage and frozen food distribution entity Etmam Logistics have on the company's operations?

This acquisition reflects Almarai's continuous commitment to expansion and diversifying into untapped areas. Although we are in the retail and food services segments, we are not as strong in the frozen foods area. This new acquisition will complement and support our presence and services. For example, if we provide high-level fresh bakery services, it makes sense to also provide high-level frozen bakery services. With our expansion into frozen food distribution, we aim to do even more for our consumers. The Vision 2030 initiative has driven expansion into many categories including tourism, hospitality and outdoor activities. The government is looking to improve our quality of life, and as a trusted partner for food supply and services, we have a role to play in making this a reality.

What is the company doing to promote development of local talent and entrepreneurship, such as launching its Almarai Chefs Program alongside the Social Development Bank?

The government's support for intrapreneurship and developing small enterprises has been massive, including launching the Small and Medium Enterprises General Authority. Our contributions are part of our environmental, social and governance initiatives. We aim to contribute to building capabilities, including chefs who want to become entrepreneurs. We want to bring these people close to us and give them exposure to high standards.

Almarai has more than 40,000 people from more than 60 countries that work on different continents. There is a huge feeling of unity and devotion throughout all our operations. We have people who started 40 years ago and are still with us today enjoying a high degree of success. We also have a polytechnic that specializes in the food industry. We invite high school graduates to receive two-and-a-half-year diplomas. We have simulators within the polytechnic for farming and production and workshops on logistics. We have been extremely successful and have had more than 1,000 graduates. Other companies have shown interest in their employees and trainees taking part in our training facilities. We want to focus on building local capabilities, not just for Almarai but for the entire market.