

## Transcript

## Aleid Foods H2 24 Earnings Call

Wednesday, April 16, 2025

**Operator** Hello, everyone, and welcome to the Aleid Foods H2 24 Earnings Call. My name is Nadia, and I'll be coordinating the call today. If you would like to ask a question, please press star, followed by one on your telephone keypad. If you have joined online, please use the Q&A chat box provided. I will now hand over to your host, Mohamad Al Sakhal, from Arqaam Capital to begin. Mohamad, please go ahead.

**Mohamad Al Sakhal** Thank you, Nadia. Good afternoon, everyone. This is Mohamed Al Sakhal from Arqaam Capital. Welcome to Aleid Foods H2 2024 Earnings Call. We have with us today, Engineer Mohammed Al-Mutairi, Chief Executive Officer, Mr Metaab Al-Masoud, Investor Relations Director, and Mr Waleed Ali, Marketing and Business Development Director. We can start the panel by Mr Metaab giving us an introduction, then Mr Mohammed, a brief about the results and the latest developments, and then we can jump into Q&A. Mr Metaab, please go ahead.

**Metaab Al-Masoud** Hello, everyone. Thank you, Mr Mohamed. Thank you, Nadia. Thank you, Arqaam Capital, for holding the Earnings Call for Aleid Foods company for the year 2024. And thanks to all the participants for joining us. And hopefully, they will get a good brief and knowledge about Aleid Foods. Today, the agenda for our Earnings Call, first, we're going to talk about the growth acceleration goals and action plans, industrial entry and food security, expanding in health and wellness sector via HealthLand, and operational expansion and distribution and foodservice.

Then we're going to talk about the business performance and the financial performance for the second half of the year, then the business performance and the financial performance for the whole year of 2024. And finally, we're going to talk about Aleid Foods' year performance, and we're going to get to the Q&A. Now, I'm going to leave you with Mr Mohammed Al-Mutairi, the CEO of Aleid Foods Company. So, he will discuss the strategy and the vision for 2030, which we're going to announce right now, in this Earnings Call. Mr Mohammed Al-Mutairi?

**Mohammed Al-Mutairi** Yes. Hi, everybody. And, again, thanks for joining, everybody, and thanks to Arqaam for hosting, today's Earning Call. At this time, we slightly changed our presentation because we are announcing our Vision 2030, and this is exclusive, [inaudible 00:02:41]. We said, let's do it through our Earnings Call, which is exclusive for this meeting today. And definitely, the growth acceleration goals and action plan will depend on our Vision 2030, which will establish Aleid as a long partner, delivering sustainability and premium-quality, health-focused food solution, and proudly to be developed into equities. Again, positioning ourselves in very competitive market and aligned with a global standard.

Again, Aleid's Vision 2030, as we said, it is not just vision, it's our blueprint for transformation and national impact and long-term value creation, which definitely will drive the sustainability and revenue growth and capture the greater market shares. Again, also, part of that will be the operational excellence by boosting efficiency across all the functions to support profitability, growth and long-term scalabilities. We'll go to the next slide. Before we start in briefing and summarising you, our Vision 2030 is dependent on three pillars.

The first pillar, it's the new sector, which we are entering, the manufacturing, and contributed to that, Kuwait food security. So, our first pillar and the vision is that, to contribute on the food security to the governments and the countries, while being part of that. The second pillar is targeting health and wellness to the people. So, we want to contribute to the society by contributing to the health sector and expanding it. The third pillar, which is linked to our main core businesses, contributing 90%, which is the distribution for both retail and food sectors.

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Now, the first one, which we just highlighted, entering the industry. So, as we say, [inaudible 00:05:12], we are concerned. So, on slide five, transferring from premium bottle into critical player and food manufacturing, reinforcing Kuwait's long-term vision for food security. Core growth drivers will be, rolling out advanced manufacturing hub approved by the public. So, one of the key things here is that, already, we have approved projects in manufacturing with our public authorities. So, we are waiting, when they will start executing that. The second one is to enter in by establishing manufacturing, especially on the [inaudible 00:06:03] businesses.

So, our target is that, to localise the protein manufacturing. And also, the third one will be acquisition of any opportunity on manufacturing. All this will be expected to definitely damage the import dependency and enhancing, also, the production efficiency and the product quality. And definitely also, as we said, solidify the Kuwait food independence for the future generation. Next one is the second pillar in our vision, which is the expansion in health and wellness sector, market leadership through establishing HealthLand as a regional leader in supplements, healthy foods and personal sales, launching organic projects aligned with the global standards, digital and distribution expansion, introducing our online platform for sales and consolidation. Also, growth reaching through e-commerce and retail partnerships.

Definitely, this will contribute to the public awareness, and this is our concern for the people, as a nationwide campaign, with the health expertise and personalising the support for certified nutrition. This definitely will be expected impact on a greater public health awareness and product demand, and increasing of HealthLand's market share, and strengthening Kuwait's position on the health/nutrition market and growing that segmentation, and that's our vision. The third pillar of our vision is, then, our core businesses, which is contributing 90%, to expand more on the food distribution and the food services by growing Aleid Foods' presence across the [inaudible 00:08:05] and all the healthcare sector, company and stores and major retail chains. Also performing strategic partnership with the [inaudible 00:08:13] and the key accounts to increase distribution channel.

Also, advancing in the food services by creating tutorial projects aligned with the restaurants, cafes and hotels, and offering reliable, high-efficiency supplies as a food solution for healthcare. And also, participating nowadays on HORECA exhibition is to enhance our contribution on the HORECA sector by enhancing, also, one of it is the logistics and operation, which is the main thing for our distribution, by implementing smart inventory and supply chain system and collaboration with the innovation and logistics provider for faster and timely delivery.

Definitely, this will be expected to impact increasing distribution market share across Kuwait and improving operational efficiency and profitability. Also, evaluating the [inaudible 00:09:12] the food service standard through integrated solution as a food solution will be supported. So, this is a brief, as we said, of our Vision 2030, and the three pillars, which are going to depend on that. But before we go to our business in detail, before we go to the question, we might also answer more in the question, but let me summarise it here.

On 25, our strategic optimisation priority will be, we are focusing on four key points or goals by improving our profit margin, consolidation of business operation, reducing operational and administration expenses, reassessing our business to ensure alignment with our long-term Vision 2030. These definitely will be initiated and designed to support the sustainable growth and strengthen our market position and maximise the value creation for the shareholder, which is what everybody is looking for. Now, handing back over to you, Metaab, our IR manager, to take you through the business performance.

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**Metaab Al-Masoud** Thank you, Mr Mohammed. Now we're going to just pass by about our second half of the year, 2024, the business performance. So, as Aleid's total revenue increased by 90%, from 17 million to 32 million, net profit increased by 53%, from 1.556 million to 2.383 million. Our net profit margin decreased just to almost 2%, and the EBITDA increased by 56%, from 2.063 million to 3.224 million. Our EBITDA margin decreased by almost 2%, from 12 to 9.9%, and the contribution of the second half for our pillar, distribution growth, 90%, from 13.62 million in 2023 to 29.727 million. And the retail growth, by 273% from the year 2023, from 0.45 million to 1.683 million.

And the production, 13% in growth from the year 2023, 1.054 million to 1.196 million. And just to give notice that our financial year is now driven by the acquisition of Al-Ashraf company and also affected by our capital raise, 60% last year, or almost in the end of the year, 2023. So, now the business performance for the whole year, 2024, the total revenue increased by 98%, from 35.118 million to 69.729 million. And the net profit increased by 52%, from 3.414 million to 5.536 million, and the net profit margin decreased also, from 9.7% to 7.9%. And the EBITDA increased by 61%, from 4.49 million to 7.233 million.

The EBITDA margin also decreased by almost 2%, from 12% to 10%. And the distribution growth was 97%, from 32.333 million to 63.873 million. And the retail growth was 332% from the year 2023, 0.749 million to 3.244 million. That production growth was 28% in growth from the year 2023, 2.035 million to 2.61 million in the year 2024. Now, we're going to go through the financial performance, which is the ratios, and I'm going to mention the ratios of this year, 2024. The working capital, it's become 39.940 million, as of revenue, 57%, and the capex, 0.402 million. To revenue, it was 0.6%. Free cash flow, 9.045 million. As of revenue, 13%. The net debt, 20.470 million, and the net debt/equity percentage, 43%.

EBITDA for this year, 7.233 million, and the net debt/EBITDA, it was 267%. The share performance until the year 2024, and also our dividends for the last five years, the earnings per share went from 5.6% to 17.5. And now the dividends. This year, we announced that we're going to give 13% cash and 3% in shares, total, 16%. And the free float we closed this year, it was 45%.

And now, I'll give it to Mr Mohamad Al Sakhal from Arqaam Capital for the Q&A, and Mr Mohammed Al-Mutairi will answer it, and he could be back for all the numbers and for any questions anyone would like. Mr Mohamad?

**Operator** Thank you. If you would like to ask a question, please press star, followed by one on your telephone keypad. If you would like to remove your question, please press star, followed by two. When preparing to ask your question, please ensure your phone is unmuted locally. If you have joined online, please use the Q&A chat box provided. We'll pause for just a moment. We have a question. What are Aleid's strategic priorities for 2025? And how do they align with the longer-term vision? Thank you.

**Mohammed Al-Mutairi** Yes, thank you. Really, these are very good questions, and I already highlighted part of it and summarised that way. As we said, after we did good for the last four years, by expansion and growing our businesses, by establishing subsidiaries and branches or acquisitions, we call this 25 year, it's, after evaluating everything, subject priorities are defined under the theme of strategic optimisation priority. Aiming to drive operational efficiency, enhancing profitability and enabling sustainable growth aligned with our Vision 2030, which we announced. So, our focus area is, as we said, enhancing profit margin across subsidiaries/companies through operational excellences and

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cost efficiency, consolidation of businesses' operation to maximise synergy, eliminating duplication and creating integrated operating models.

The third point is, reducing operational and administration expenses by improving cost control, measuring across all levels. The fourth point is reassessing all the businesses we have in focus and to see their performance and evaluate their performance, while exploring whatever exit strategy or selling it if is not contributing and performing with our activities. So, these strategic initiatives, ensuring we remain aligned, efficient and well positioned for the future growth and the competitive market environments, yes.

**Operator** Thank you. And as a reminder, if you would like to ask a question, please press star, followed by one on your telephone keypad. If you have joined online, and please use the Q&A chat box provided. We'll pause for just a moment. Can you share any potential new market opportunities or product service expansions that align with the company's 2030 vision? Thank you.

**Mohammed Al-Mutairi** Yes, actually, we highlighted part of it on this one. But as we said, definitely, we are actively exploring opportunities, whatever value-added food segments, expanding our presence in higher-demand categories, vertically within the health and wellness sector, as we said. And this can be expanded by our existing companies or whatever business model, or by acquisition, any opportunity for the acquisition. So, our long-term vision also includes developing strategic partnership, strengthening our food manufacturing capabilities, which is the new sector we are entering, and expanding our distribution network both locally and regionally.

These efforts will support our goals of becoming a leading, integrated food company delivering innovation and sustainable food solutions.

**Operator** Thank you. Could you, please, highlight any potential impact of tariffs? Is there a risk for deflation in global commodity prices? Could this help improve your GPMs? Thank you.

**Mohammed Al-Mutairi** Yes. See, whatever else we said, as a food business, as a [inaudible 00:21:25] model, definitely, when there is, I don't want to say crisis, when there is a fluctuation in the market, this is the business which keeps growing. And sometimes we say it, when there are issues, and the market is happening, it's reflected on the positive side, not negative side, especially in our food. And that's what we noticed in the last 50 years in the businesses. Definitely, we highlight this, both the inflation and also the interest rate. We are thinking, now, interest rate, as we are expecting, is coming down, which is already stable now. So, we didn't expect any changes.

Inflation in Kuwait is already there, between 2 and 2.5, stable, but outside effect, that's what we are concerned by. But what we have seen for the forecast, things are not in the negative, as everybody's seeing. We are seeing it in a stable and positive side.

**Operator** Thank you. Based on your performance in 2024, what are the key financial targets for 2025, regarding revenue growth, profitability and earnings per share?

**Mohammed Al-Mutairi** Yes, actually, this one, in 25, as we said, with all the key focus, strategic optimisation, what we say is, if it's been implemented in a very proper way, I think we are going to have a good growth on sales and also on the bottom line. So, as the sales targets, we are expecting to have revenues of between 73 and 74 million, and we did,

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this year, 69. And the profit also, we are expecting to do 6 million, which will lead us between 19 and 20 fils. That's exactly the ABC, and that's what was forecast earlier. And I think, with the key focus, a clear point, which is, we are putting in our team, this will be achievable.

And inshallah, we are hoping, a very positive year, and numbers should be much better than what we are putting. We are always putting on the conservative side. Might be growth, also higher than what is our target, but this is our target, answering your questions, yes.

**Operator** Thank you. Sales nearly doubled in FY 2024, mainly due to the acquisition of Al-Ashraf Foods. Could you provide the percentage of sales that is attributed to the acquisition of our Al-Ashraf Foods? What growth can we expect in 2025?

**Mohammed Al-Mutairi** Yes, this is a very good, detailed question, indeed. Yes, definitely, the growth was due to the acquisition, but if you break it down, we can break it down, Aleid itself, company sales was 36.5 million. We had a growth of 9.5 million compared to last year, Aleid, without Al-Ashraf business model. And also, we had a 9.6 growth of profits. Al-Ashraf sales was 33 million and also had a 66.727% growth of the sales. And profit also had 1.9 million, which had a growth of almost 4%. Yes, but if you see, any sales of Aleid was 36 million and Al-Ashraf was 33, the profit of Aleid was 3.3 million, and Al-Ashraf was 1.9 million.

That's exactly, in details, based on your question, if you are asking this, the performance. And we are hoping this year, and that's exactly what is our focus point, Al-Ashraf will be enhanced more, and we are expecting the growth, both in top line and bottom lines, yes.

**Operator** Thank you. Given that Al-Ashraf Foods has relatively lower margins, how should we think about margins going forward? Are these the normalised levels of margins? Thank you.

**Mohammed Al-Mutairi** Okay, good question, thank you. Actually, that's, if you see in our presentation, the model, our margin, brought down from 9.7 to 7.9%. That's exactly because of Al-Ashraf. Yes, Al-Ashraf model itself, it's very low margin, and this is we knew before we had the acquisition, and that's what we said. I just highlighted, and we say it. And if we see one of the key focus points, the first one, is improving the margin. We are expecting enhancing the margin of Al-Ashraf. Definitely, this will be contributing. [Inaudible 00:26:48], we are expecting to have a good margin this year, because already we told you, we are targeting 5 or 6 million profits.

But, yes, our assessment and key efforts will be more on enhancing Al-Ashraf. And also, don't forget that the other pillar, I mean the other sectors, which is the retail and production, that's what is contributing to higher margin. That's what is growing, and if you see the numbers of growth on these channels, was higher side, and that's what we want to keep. And that's why, if you see the second pillar of our vision is the HealthLand, the health, which is that online sector, and having good margin. And also, we are expecting more margin in manufacturing.

**Operator** Thank you. How should we think about dividends in the coming year? Could you share some guidance?

**Mohammed Al-Mutairi** Yes, actually, we just highlighted that we are expecting to have 19 to 20 fils earning by shares. And we highlighted this earlier, that we are expecting. Actually to be honest, we are always higher side on dividends.

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If you see, the last five years, we are giving more than what we are earning, almost 100%. And our policy was, we announced just two/three years ago, that our dividends will be 70% of what we are earning. However, we are giving more. But I think now, the strategy is that we need to enhance our financial, since we are entering on expansion, on manufacturing or whatever, investments or acquisition, whatever opportunity will be there.

So, I think we will stick to our, what we said earlier, that the 70% of what we gain will be given as dividends. Now, the percentage between cash and shares bonus, definitely, as we said, always will be majority. Almost 60/70% or 80% will be cash, if it's not 100%. Also, our intention is to give 100%, but sometimes you need to give a bonus shares. This is a board decision. They might give some bonuses, but it will be within 80/20%, yes.

**Operator** Thank you. What are Aleid's expansion plans, both locally and internationally? Should we expect any new acquisitions? Thank you.

**Mohammed Al-Mutairi** Yes, this is what we just highlighted. In many pastures, we are thinking that we can expand on acquisition also, and whatever opportunities. And I think there's one opportunity on our table now. We are studying it. So, whatever opportunity, an acquisition will be there, but still, nothing is there. But that's the vision. It's part of our targets and goals to grow and maintaining our growth, definitely, with the organic growth and with non-organic, by adding a new section or acquisition of companies or subsidiaries, or entering a new segmentation. International markets, already, we are there in Saudi and Dubai, and we are reassessing.

If you see one of the key focus points, the fourth one was to really assist the businesses, even in Kuwait. So, whatever is not aligned with our strategy and visions, we are evaluating that to sell it or exit on it, or enhance it to be part of what are our goals and targets.

**Operator** Thank you. As a reminder, if you would like to ask a question, please press star, followed by one on your telephone keypad. If you have joined online, please use the Q&A chat box provided. We'll pause for just a moment. It appears we have no further questions. I'll hand back to the Management team for any closing comments.

**Mohammed Al-Mutairi** Thank you. I think we tried to clarify all the points, and we highlighted our visions and pillars and strategy. We are entering a new strategy by targeting the manufacturing sector. This is something new to us. And also, we care about people's health, and this is the second pillar of our vision. We try to exclusively share with you, announcing our vision with you today. And if any question, any clarification, you can send by email, and we are happy to answer. And thanks, everybody, for [inaudible 00:31:44] handling that. Metaab?

**Metaab Al-Masoud** Yes, thank you, Arqaam Capital. Thank you, Nadia. Thanks, Mohamad Al Sakhal, thanks to all the participants. And just a notification that Aleid Foods, this year, alhamdulillah, we entered the watch list for the premier market in Kuwait stock market. And hopefully, we will be there next year. And for your information, we have been doing the Earnings Call since three years with Arqaam Capital, although it's not required from the main market companies to do earnings calls. But we did it so we can be engaged with our shareholders. And from us here, inshallah, in the premier market, we will be doing it quarterly as the premier market required. Thank you. Any kind of enquiries...

**Mohamad Al Sakhal** Thank you, Management, and thank you all for joining. You may disconnect now.



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**Operator**  
your lines.

Thank you. This now concludes today's call. Thank you all for joining. You may now disconnect