



FIRST المطاحن
MILLS الأولى

First Milling Company

Intention to Float

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INTENTION TO LIST FIRST MILLING COMPANY ON THE MAIN MARKET OF THE SAUDI EXCHANGE

Jeddah, the Kingdom of Saudi Arabia – 17 May 2023G - First Milling Company (the “Company”, or “First Mills”), a market-leading milling company in the Kingdom of Saudi Arabia (the “Kingdom” or “Saudi Arabia”), announces its intention to proceed with an initial public offering (the “IPO” or the “Offering”) and listing of its ordinary shares (“Shares”) on the Main Market of the Saudi Exchange (“Tadawul”). The Offering is expected to comprise a sale of existing Shares and result in a free float of 30 percent. Tadawul approved the Company’s application for the listing of the Shares on the Main Market on 14 February 2023G and the Capital Market Authority (“CMA”) approved the Company’s application for the initial public offering of 16,650,000 ordinary shares (representing 30% of the Company’s share capital) on 27 March 2023G. The final price at which all subscribers in the Offering will purchase Shares will be determined at the end of a book-building period.

Business Highlights

- First Mills is a market-leading Saudi milling company engaged in the production of high-quality flour products, and wheat byproducts, such as animal feed, bran, and wheat germ. In addition to its B2B products, the Company has a premium flour brand, Aloula, which is marketed in retail outlets across the Kingdom.
- The Company offers over 48 products to a diverse group of customers, including both business-to-business (B2B) clients such as large industrial players, commercial bakeries, restaurants and catering businesses, and other customers including wholesalers, modern and traditional trade customers, farms and feed distributors, and retail customers.
- The Company is one of the market leaders in the flour and compound feed market, with a wheat milling capacity of 4,200 tons daily and a feed mixing capacity of 900 tons per day.
- The Company operates four large-capacity production facilities strategically located across the Kingdom, in Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City), and the Eastern Region (Al-Ahsa Governorate).
- First Mills is committed to realizing its vision of becoming the first partner of choice in the food and feed sectors, as well as a reliable and sustainable source of high-quality food and feed products for communities and markets in the Kingdom. To accomplish this objective, the Company’s approach is based on four strategic pillars: strengthening its market position, optimizing efficiencies and achieving operational excellence, creating high-quality products, and establishing and cultivating the necessary technical capabilities.
- In FY 2021G, the Company posted solid financial results with sales of SAR 801 million and net income of SAR 198 million representing three-year compound annual growth rate (CAGR) of 11.5% and 25.6%, respectively. In 9M 2022G, the Company achieved sales of SAR 687 million and net income of SAR 197 million.
- The Company’s proficient team of 726 employees (as of 30 September 2022G) is led by a strong and highly experienced management team, guided by a dedicated Board with extensive leadership experience in the FMCG and milling industries.

Eng. Abdullah Ababtain, Chief Executive Officer of First Milling Company, said:



"First Mills' IPO marks an important milestone in our journey and a key step towards cementing our position as a leading player in the Saudi milling sector.

Throughout our history, we have been deeply committed to delivering the highest quality flour, feed, and bran products to our B2B and other customers. Our success has been built on a solid foundation of quality, operational excellence, and innovation, further supported by our strategic plant locations and exceptionally talented team.

We have a clear and focused strategy that will allow us to boost our market share and capture the strong potential growth in the market. This includes building scale and capacities, enhancing operational and financial efficiencies, expanding into new product categories, improving distribution and sales channels, and sustainably growing revenue and profit. We will also continue to invest in our people, infrastructure, and technology to ensure that we are well-positioned to meet the evolving needs of our customers and to stay ahead of industry trends and emerging technologies.

We are confident that our passion for milling and our commitment to sustainability will continue to drive our success as we pursue new opportunities for growth and value creation.

We look forward to sharing our vision and future success with retail and institutional investors, as we embark on this exciting new chapter in First Mills' journey."

Investment Highlights

Market leadership in Saudi Arabia driven by significant market share, strong brand recognition, and extensive geographical reach.

- First Mills is one of the largest producers of flour-based products and byproducts by volume and sales, with a market share of 33.8% (in terms of volume) in the flour products market in the Kingdom in 2021G.
- The Company distributes its products to all regions of the Kingdom, with a prominent presence in four key regions: Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City), and Eastern Region (Al-Ahsa Governorate).
- The Company's sales reach extends beyond the locations of its main branches, as it operates sales and distribution warehouses through both Company-owned facilities and authorized distributors in various regions.
- The Company achieved a sales volume of 1.28 million tons for the year ended 31 December 2021G.
- Aloula, the Company's premium flour brand, has a strong presence in well-known hypermarkets, supermarkets, and grocery stores in the Kingdom and has achieved a noticeable market share in the retail flour market within supermarket channels during March to October 2022G.
- The Company's market leadership position is supported by several factors including its ability to forge long-term relationships with suppliers and customers, its flexible business model, its robust cash position, and its comprehensive geographic coverage across the entire Kingdom.

Diverse portfolio of high-quality products.

- First Mills manufactures and distributes more than 48 products, spanning flour, feed, bran, and wheat derivatives, and supplies these products to all regions of the Kingdom, with a prominent presence in four key regions of

Makkah, Al-Qassim, Tabuk, and the Eastern Region. This diverse portfolio of products provides the Company with greater resilience and flexibility to evolving consumer preferences and market trends.

- The Company's diversified product portfolio enables it to leverage logistical synergies and efficiencies, appeal to a wider customer base, and establish a strong foothold in the market.
- The Company maintains compliance with the General Food Security Authority ("GFSA"), the International Organization for Standardization ("ISO"), and the Saudi Food and Drug Authority ("SFDA") standards across its operations and has been awarded ISO 45001 and ISO 14001 certificates for all of its production facilities, underscoring the Company's ability to meet rigorous quality and safety standards.

Operational excellence built on years of milling experience, bolstered by a strong focus on robust risk management and a fully integrated supply chain.

- Since its inception, First Mills has built solid operational capabilities that have been instrumental to its success. The Company's extensive experience and expertise in producing food commodities enable adaptability in meeting consumer needs, keeping up with trends, and managing risks, while also providing a basis for potential expansion of capacities and the introduction of new products.
- The Company has invested significantly in logistics and production assets and connected them to create an integrated value chain that spans material supply, production, processing, purification, transportation, storage, research, marketing, and distribution.
- The Company prioritizes quality above all else, through its consistent adherence to rigorous standards and unwavering commitment to meet and exceed quality benchmarks.
- This emphasis on quality is further bolstered by streamlined supply chain and logistics planning, cost leadership, and efficient use of all wheat derivatives in feed production, resulting in high asset production efficiency and logistical synergies.
- Furthermore, the Company implements robust risk management policies, with a focus on governance, and compliance management. The Company currently has subsidy arrangements with GFSA which enables it to reduce risks associated with fluctuations in international wheat prices. The Company adopts a proactive approach to risk management by continuously monitoring potential risks and staying up-to-date with regulatory changes in Saudi Arabia.

Differentiated business model delivering outstanding financial performance.

- First Mills has consistently delivered strong financial performance, particularly in terms of sales, with solid margins that consistently outperform the industry.
- This sustained success can be attributed to the Company's strong focus on delivering high-quality products, robust cost leadership strategy, as well as its agility and strong dedication to staying ahead of industry trends and developments.
- First Mills has achieved consistent sales growth, with a three-year CAGR of 11.5%, resulting in total sales of SAR 801 million for the year 2021G. In 9M 2022G, the Company achieved sales of SAR 687 million.
- The Company has grown its profitability driven by a successful pricing strategy, strong demand for its high-quality products, and a more optimal product mix. FY 2021G gross profit reached SAR 331 million and net income reached SAR 198 million with three-year double-digit CAGRs of 27.9% and 25.6%, respectively. In 9M 2022G, gross profit reached SAR 310 million and net income reached SAR 197 million.
- The gross profit margins for FY 2021G and 9M 2022G were 41.4% and 45.1%, while the net income margins for the same periods were 24.8% and 28.7%, respectively.
- The return on average assets for FY 2021G and 9M 2022G were 15% and 14.4%, while return on average equity for the same periods were 22.7% and 35.3%, respectively.

Clear Strategic roadmap with multiple avenues to support future growth.

- First Mills is pursuing a clearly defined strategy and roadmap aimed at maintaining its market-leading position and capturing sustainable long-term value:
 - The Company is focusing on improving its distribution operations, expanding sales channels, establishing strategic partnerships with public and private sector players, and developing its bran products in line with the growth of its flour business.
 - The Company is building an efficient and distinguished operational framework which enhances value chain integration, increased production capacity, and enhances operational and financial efficiencies.
 - The Company is creating outstanding products supported by exceptional service by diversifying into new product categories that are complementary to its core business, such as utilizing the Company's flour in innovations and manufacturing cake mixes.
 - The Company is building the necessary capabilities to achieve its strategy such as enhancing its technical capabilities, research & development, and supply chains, as well as its safety and quality control capabilities. Furthermore, the Company will continue to invest in attracting, developing, and retaining top talent in its workforce.

Engaged and seasoned leadership team with strong track record in relevant sectors

- First Mills is led by an engaged and seasoned board of directors and management team with a wealth of experience in FMCG and milling industries both nationally and internationally.
- The Board includes leaders with experience and demonstrated expertise in providing disciplined oversight and guidance across transformation and optimization initiatives as well as corporate governance and nomination and remuneration strategies.
- The leadership team has a strong track record of leading a diverse workforce comprising experts across technical, commercial, product development and support functions.

Highlights of the Offering

- Listing on the Main Market of the Saudi Exchange.
- The Offering will consist of 16,650,000 ordinary shares representing 30% of the Company's share capital post-listing. Note that the Offering to Individual Investors and listing of the Shares thereafter is subject to the successful subscription by Participating Parties for all Offer Shares. The Offering shall be canceled if the Offering is not fully subscribed for during this period. The CMA also has the right to suspend the Offering if, at any time after its approval of this Prospectus and before admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.
- With respect to the Offering, the Company has appointed SNB Capital Company as the Financial Advisor, Lead Manager, and Bookrunner ("**Financial Advisor**", "**Lead Manager**", "**Bookrunner**") and SNB Capital Company and GIB Capital as Underwriters ("**Underwriters**").
- The Saudi National Bank, AlRajhi Bank, and Alinma Bank have been appointed as Receiving Agents (collectively, the "**Receiving Agents**") for the individual investors tranche.
- The Offering is restricted to the following two groups of investors:
 - **Tranche (A): Participating Parties:**
 - This tranche comprises investors eligible to participate in the book-building process in accordance with the Book-Building Instructions. The number of Offer Shares to be initially allocated to Participating Parties is sixteen million six hundred fifty thousand (16,650,000) shares of the Offer Shares representing one hundred percent (100%) of the total Offer Shares. In the event there is sufficient demand by Individual Investors for the Offer Shares, then the Lead Manager has the right to reduce the number of Shares

initially allocated to Participating Parties to fourteen million nine hundred eighty-five thousand (14,985,000) shares, representing ninety percent (90%) of the total Offer Shares. The number and percentage of Offer Shares to be allocated to Participating Parties shall be determined as deemed fit by the Financial Advisor, in coordination with the Company.

- **Tranche (B): Individual Investors:**

- o This tranche includes Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit in her name or in the names of her minor children, on the condition that she provides proof that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi Arabian national who is resident in the Kingdom and any GCC national, in each case who has a bank account with a Receiving Agents and having the right to open an investment account with a Capital Market Institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of one million six hundred sixty-five thousand (1,665,000) Offer Shares representing ten percent (10%) of the Offer Shares shall be allocated to Individual Investors. In the event that Individual Investors do not subscribe in full for the Offer Shares allocated thereto, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for by them.

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This announcement is not an offer for sale of securities of the Company, directly or indirectly, in or into the United States. The Offer Shares may not be offered or sold in the United States unless registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or offered in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. The Company has not registered and does not intend to register any portion of the Offer Shares under the Securities Act or the laws of any state in the United States or to conduct a public offering of any securities in the United States. Copies of this announcement are not being, and may not be, distributed, forwarded or otherwise sent, directly or indirectly, in or into the United States.

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This announcement is being distributed in accordance with the provisions of the Rules on the Offer of Securities and Continuing Obligations ("**OSCO Rules**") issued by the CMA for the purposes of ascertaining the extent to which potential investors are willing to participate in the potential initial public offering of the Company, and should not result in any binding undertakings to acquire shares or subscribe in the Offering. This announcement is for information purposes only and under no circumstances shall constitute an offer or invitation, or form the basis for a decision, to invest in any securities of the Company. Neither this announcement nor anything contained herein shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction. Investors may only subscribe in the Offer Shares on the basis of the CMA approved Arabic language prospectus to be issued and published in due course (the "**Prospectus**"). The information in this announcement is subject to change. In accordance with Article 51(d) of the OSCO Rules, copies of the Prospectus will, following publication, be available on the websites of the Company at www.firstmills.com, the Saudi Exchange at www.saudiexchange.sa, the CMA at www.cma.org.sa and the Financial Advisor at www.alahlicapital.com.

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This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "aim", "anticipate", "believe", "can", "consider", "could", "estimate", "expect", "forecast", "intend", "may", "ought to", "potential", "plan", "projection", "seek", "should", "will", "would", or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's business, results of operations, financial position, liquidity, prospects, growth or strategies. Many factors could cause the actual results to differ materially from those expressed or implied by any such forward-looking statements or contained in projections, including, among other things, risks specifically related to the Company and its operations, the development of global economic and industry conditions, and the impact of economic, political and social developments in Saudi Arabia. Forward-looking statements speak only as of the date they are made. Each of the Company, the Financial Advisor, and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward-looking statements contained in this announcement whether as a result of new information, future developments or otherwise.

Press Release

There is no guarantee that the Offering will occur and you should not base your investment decisions on the Company's intentions in relation to the Offering. This announcement does not constitute a recommendation concerning the Offering nor any declaration or undertaking by any means. Acquiring Offer Shares to which this announcement relates may expose an investor to a significant risk of losing the entire amount invested. Persons considering investment should consult an investment advisor or an authorized person specializing in advising on such investments.

The Financial Advisor is acting exclusively for the Company and no-one else in connection with the Offering. It will not regard any other person as its client, nor for providing advice in relation to the Offering, the contents of this announcement or any transaction, in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, arrangement or other matter referred to herein.

The contents of this announcement have been prepared by and are the sole responsibility of the Company. Neither the Financial Advisor nor any of its affiliates, directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for or makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of the information in this announcement (or whether any information has been omitted from the announcement) or any other information relating to the Company, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith.

In connection with the Offering, the Financial Advisor and any of its affiliates, may take up a portion of the Offer Shares in connection with the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell for their own accounts such Offer Shares and other securities of the Company or related investments in connection with the Offering or otherwise.

References in the Prospectus, once published, to the Company's shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Financial Advisor and any of its affiliates acting in such capacity. In addition, the Financial Advisor and any of its affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which the Financial Advisor and any of its affiliates may from time to time, acquire, hold or dispose of securities. The Financial Advisor does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.
