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Riyadh, Saudi Arabia [05th September 2024G]

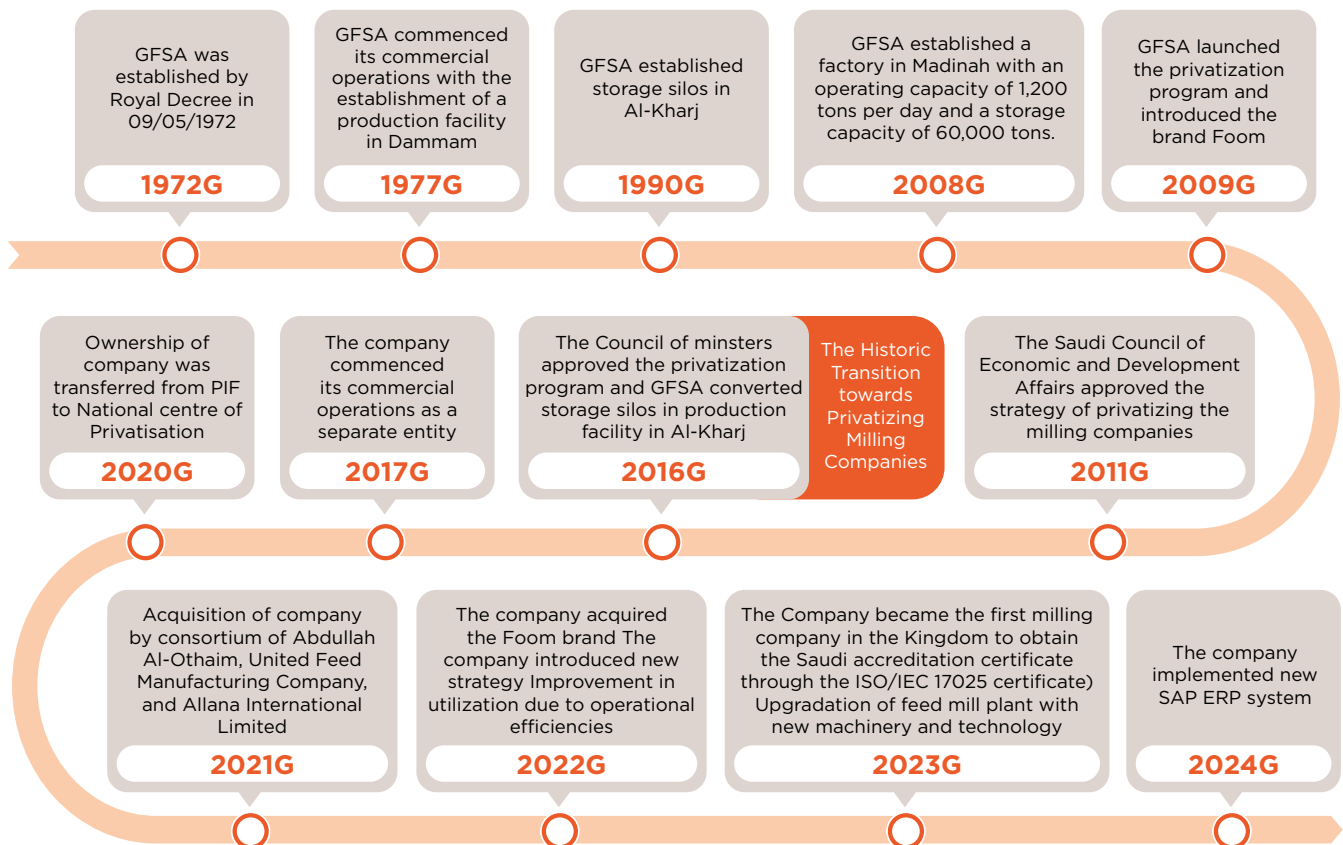
Fourth Milling Company Announces its Intention to Float on the Main Market of the Saudi Exchange

Fourth Milling Company (“MC4” or the “Company”), a leading company in the field of flour production in the Kingdom of Saudi Arabia (the “Kingdom”), announces its intention to proceed with an initial public offering (the “IPO” or “Offering”) and the listing of its ordinary shares (“Shares”) on the Main Market of the Saudi Exchange. On 26 June 2024G, the CMA approved the Company’s application for registering its share capital and the Offering of 162,000,000 ordinary Shares (the “Offer Shares”), representing 30% of the Company’s total issued share capital. The offering price will be announced following the end of the institutional bookbuilding period. The Offering’s net proceeds will be distributed to the selling shareholders. The Company will not receive any part of the proceeds from the Offering.

COMPANY OVERVIEW

- The Company has a rich heritage over four decades in the production of wheat flour, wheat derivatives and animal feed products, and today produces a variety of products of the highest levels of quality that meet the needs of the Saudi market through various sales channels.
- The Company's FOOM brand is a renowned premium flour brand, recognized as one of the oldest national brands, which benefits from significant brand equity and holds the largest market share in the Kingdom of all flour brands
- The Company has a footprint of production facilities strategically spread in various locations across the Kingdom enabling it to cover more than 80% of the population. The Company headquarter is in Dammam and its production facilities are in three regions across the Kingdom, in Dammam, Madinah and Al-Kharj, with a current aggregate wheat milling capacity of 3,150 tons per day and a feed plant capacity of 450 tons per day.
- Fourth Milling Company has a wide sales network comprising wholesalers, industries and modern trade.
- The Company has highly efficient manufacturing and distribution operations benefitting from world class manufacturing, storage and transportation facilities.
- The Company has a track record of success and profitability. The Company has achieved significant sales growth, with revenues growing at a CAGR of 29.7% from SAR 336 million in FY2021 to SAR 566 million in FY2023. The Company has also seen improved EBITDA margins, increasing from 32.1% in FY2021 to 38.0% (with adjusted EBITDA margin of 40.0% after adjusting non-recurring items) in FY2023, driven by higher-margin products and cost efficiencies. Net Income margin grew from 14.9% in FY 2021 to 25.2%% (with adjusted margin of 28.4% after adjusting non-recurring items) in FY 2023.

The key milestones in the Company's history since its establishment are summarized as follows:





MESSAGE FROM THE CHAIRMAN

Bader Hamed AlAujan, Chairman said:

“The Fourth Milling Company is proud to be a leading force in the Saudi milling industry. With over 40 years of experience and a commitment to quality, we have played a crucial role in transforming the industry and meeting the needs of the Saudi market. As we continue to witness rapid economic growth and increased demand for high-quality flour and animal feed products, we are well-prepared for our next phase of growth through our innovative and sustainable approach.

With the IPO, we embark on an exciting new chapter. Over the coming years we aim to further strengthen our market position, expand our product portfolio and continue to invest in infrastructure, people and processes. Our dedication to excellence and innovation will drive us forward as we pursue these ambitious goals.

Our ambition and commitment to realizing Vision 2030 by supporting the Kingdom’s growth and development grow even stronger with the opportunities we see ahead. We are determined to deliver exceptional performance for our shareholders, ensuring both capital growth and attractive returns. As a market-leading and well-respected business, backed by strong macro fundamentals and dynamic growth prospects, the entire Fourth Milling Company team is eager to embrace the opportunities that lie ahead.”



MESSAGE FROM THE CEO

Khalid Al Maktary, CEO said:

“This IPO is a celebration of our achievements to date and a significant milestone for everyone who has been part of our journey since establishment. We take pride in our rich history, which spans over 40 years in the milling industry.

Since the privatisation in 2021G, Fourth Milling Company has been on a path of significant transformation. Our focus has been on enhancing operations, fortifying our market position, and driving revenue growth while adopting leading governance practices. I am proud to announce that we achieved a 31.1% share (volume share) in the consumer market, representing the highest among all flour brands. Moreover, our revenue saw a compound annual growth rate of approximately 29.7% from 2021 to 2023. With the continued support of our Board and shareholders, we have successfully established policies and processes to sustain our growth and operational excellence.

With our strong market position and excellent growth prospects, we are excited about the future and the continuing role we can play in the growth and development of the Kingdom’s food security. This IPO is an opportunity for us to further grow our shareholder base as we continue our journey and welcome investors seeking a meaningful and rewarding investment proposition.”

OUR STRATEGY

The Company has identified a strategic roadmap to drive future growth and realize its vision, based around focusing on strengthening and growing its core business:

Increase Market Share

- Strengthening and growing the FOOM brand to its full potential and expanding its product range.
- Focus on large B2B industrial key accounts by leveraging robust customer relationship management practices that ensure long-term partnerships and satisfaction.

Be At the Forefront of Quality and Innovation

- Adapt to growing consumer preferences by continuously developing and refining its products and services to meet evolving demands.
- Commit to the highest quality standards, ensuring that all products meet regulatory requirements and align with consumer expectations for safety, taste, and nutritional value.

Enable Best-in-Class Efficiency

- Drive continuous process improvement, optimize the supply chain, and capitalize on integration opportunities.

Enhance Production Capacity Targeting the Fastest Growing Regions

- Enhance capacity through a dual approach of process improvement and investment in new facilities.

Invest in Human Capital Development

- Develop the best talent and investing in the continuous training and development of its workforce
- Foster a culture of learning and innovation, empowering the team to drive operational excellence and contribute to the Company's success.

STRENGTHS AND COMPETITIVE ADVANTAGES

The Company believes that it has unique competitive advantages that position it as a key player within the milling and food production industry in the Kingdom. The Company stands at the forefront of innovation, operational excellence, and sustainability, underpinned by a highly regarded brand, world class infrastructure and a commitment to quality.

Attractive Position in Flour Market Critical for the Kingdom's Food Security Agenda

The milling industry is crucial for Saudi Arabia's food security agenda as it ensures the availability of flour, a staple ingredient in the Saudi diet, by processing wheat procured and supplied by the GFSA.

Between 2018G and 2022G, Saudi Arabia's wheat market grew significantly at a CAGR of 6.7%, reaching a volume of 3.4 million tons in 2022G. Flour consumption in the Kingdom, is expected to increase at a CAGR 3.2% to reach approximately 4.1 million tons by 2028G. Increased consumption is expected to be driven by:

- **Increasing population:** The increase in population will resultantly drive demand for food products, from which the Company will benefit.
- **Rising income levels:** Higher employment levels, particularly in urban centres is improving disposable incomes and therefore consumption leading to higher demand for food products.
- **Increasing consumption of healthy and value-added products:** Flour consumption is also expected to benefit from latent demand related to increased consumption of healthy and value-added products such as functional flours, mixes and self-rising flour, with the segment expected to reach SAR 28.0 billion by 2027G.
- **Increased tourism:** To enhance the Kingdom's attractiveness as a tourist destination (with a target of attracting 100 million visitors by 2030G), the Government plans to invest SAR 810 billion in culture, leisure and entertainment projects over the coming decade.

MC4 Has Strategically Located Production Facilities to Drive Faster Growth

The Company's production facilities are strategically located in the Kingdom's fastest growing population areas. The Al-Kharj facility with daily flour milling capacity of 600 tons is a strategic asset due to its proximity to Riyadh, the Kingdom's capital. The Dammam facility serves as a critical distribution hub for the eastern regions with a daily flour milling capacity of 1,350 tons and feed capacity of 450 tons per day. The Madinah facility, with a daily flour milling capacity of 1,200 tons and a storage capacity of 66,000 tons, is pivotal for serving the western regions of KSA.

Ownership of the "FOOM" Brand Providing Strong Brand Equity and Enabling Sales Growth, Margin Improvement and Expansion into Further Value-Add Products

The ownership of the FOOM brand provides the Company with an edge that includes enhanced market presence, customer loyalty, diversified revenue sources, and strategic growth opportunities.

In 2023G, the FOOM brand held a significant 26% share in the 1-10 kg market segment, indicating strong consumer preference for FOOM. Market share increased an average of ~31% for the previous twelve months (as of July 2024).

The FOOM brand allows the Company to position its products strategically in the fast-growing consumer segment and it gives the Company the opportunity to diversify its product offerings under the same brand umbrella. The Company's 1-10 kg range of items have the best margins and are the fastest growing category.

FOOM is well regarded amongst customers which can also facilitate strategic partnerships with major players, such as supermarkets, food service providers, and distributors. With a strong brand, the Company has better opportunities for geographic and market expansion.

MC4 Has A Robust Sales Infrastructure

The Company has invested resources to develop a wide, effective, and efficient sales infrastructure comprising dedicated sales teams by channel, a logistics network to support delivery and customer relationship management with after-sales support.

The Company has established dedicated sales teams for industrial, wholesale and modern trade customers that cater to the full range of customers from large industrial food manufacturing companies to retail customers.

The Company has an extensive distribution network which ensures that products are available across a wide geographic area, reaching customers in urban centers, rural areas, and even remote locations. This accessibility increases the Company's market penetration and customer base.

Operational Excellence is a Key Pillar to Achieve Efficiency

The Company continuously strives to achieve success and excellence through the implementation of comprehensive quality management, with quality one of the basic pillars on which the Company has built the reputation of its products through the following accreditations: ISO 17025, FSSC, ISO 22000.

The Company has significantly reduced unplanned downtime and achieved 200,000 safe manufacturing hours without safety incidents. It has further planned to enhance safety protocols and measures to obtain ISO 14001 and 45001 in 2024.

In 2023G, the Company successfully upgraded the feed mill production facility in Dammam, with new machinery and technologies. This upgrade positions the Company for continued growth, operational excellence, and customer satisfaction.

In 2023G, the Company's Production Department meticulously analyzed its milling processes, identifying areas where efficiencies could be enhanced without compromising the quality of end products. These efforts are expected to bear fruit through an 8% increase in designed milling capacity (from 3,150 tons per day to 3,400 tons per day).

The Company has also invested in the implementation of SAP ERP systems across its organization. SAP's ERP system includes a comprehensive and integrated suite of applications that support a wide range of business processes, and the system is designed to improve operational efficiency, enhance decision-making through advanced analytics, and foster collaboration within the organization.

MC4 is run by a Highly Experienced Management Team and Insightful Shareholders

The Company is led by a management team with extensive experience in the management of milling and food and beverage companies.

The Company also benefits from its network of shareholders and international partners, who have specific capabilities to advise and support future development. These include Allana International Company, a major shareholder in IFFCO, with its experience in the flour business and downstream businesses; Abdullah AlOthaim Markets Company, with capabilities in the modern trade, wholesale, and operates an extensive network of more than 380 retail outlets; and United Feed Manufacturing Company, with capabilities in grains sourcing and animal feed.

MC4 Has Achieved Strong Financial Performance, Underpinned By Diverse Revenue Streams, Low-Cost Structure And Cash Flow Generation Capability

- **Achieving remarkable sales growth:** the company's revenues nearly doubled from SAR 336 million in FY2021 to SAR 566 million in FY2023.
- **Consistently high and improving EBITDA margins:** reaching 38.0% in FY2023G, compared to an EBITDA margin of 32.1% in FY2021G, driven by revenue growth, increases in the number of higher-margin branded products and cost efficiencies.
- **Best in class margins:** the Company's gross margin, EBITDA margin and net margin are amongst the highest when compared to its domestic peers. Moreover, given the strength of its brand, strategic locations and expansion plans it is well placed to further improve its margins.
- **A highly cash generative business model:** with low capital expenditure and efficient working capital management. The Company is highly focused on managing its working capital cycle. Sales are generally made in cash whilst the Company has reduced raw materials and finished goods inventory days. At the same time the Company continues to improve credit.
- **Strong operating free cash flow** (i.e., cash flow from operating activities less cash flow from investing activities) increased from SAR 37 million in FY2021G to SAR 163 million in FY2023G.
- **Intention to distribute dividends,** subject to any requirements with respect to investments for growth the Company targets at least 70% of its annual net profits each year to be paid as dividends.

MC4 Is Debt Free

As of December 31, 2023, the Company has no outstanding debt, giving it a significant competitive advantage over its peers. This financial position allows the Company considerable flexibility to invest in growth opportunities and deliver returns to shareholders.

HIGHLIGHTS OF THE OFFER

The Offer Shares will be listed and traded on the Saudi Exchange's Main Market following the completion of the Offering and listing formalities with both the CMA and the Saudi Exchange. The Offering will consist of a secondary offering of 162,000,000 Offer Shares representing 30% of the Company's total issued share capital. The Offer Shares will be offered for subscription to Individual Subscribers and Participating Parties (as defined below). Following completion of the Offering, the current shareholder (the "Current Shareholder") shall own 70% of the Company's share capital. The Current Shareholder owning 100% of the Shares in the Company is Gulf Flour Milling Industrial Company. Immediately following listing, the Company is expected to have a free float of 30% of the

Shares. With respect to the Offering, the Company has appointed Riyadh Capital Company as the Financial Advisor, Lead Manager, Bookrunner, and Underwriter. Riyadh Bank, and Arab National Bank have been appointed as receiving agents (collectively, the “Receiving Agents”) for retail investors.

The Offering shall be restricted to the two following groups of investors («Investors»):

Tranche (A): Participating Parties: This tranche comprises investors eligible to participate in the book-building process in accordance with the Instructions for Book Building Process and Allocation Method in Initial Public Offerings, as issued by the Capital Market Authority («CMA») (the Instructions shall be referred to as the «Book-Building Instructions»), (collectively referred to as the «Participating Parties» and each as a «Participating Party»). The number of Offer Shares to be allocated to Participating Parties effectively participating in the book-building process is one hundred and sixty-two million (162,000,000) Offer Shares, representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Subscribers (as defined under Tranche (B) below), the Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of one hundred and twenty-nine million and six hundred thousand (129,600,000) ordinary shares, representing 80% of the total Offer Shares. The Financial Advisor, in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties.

Tranche (B): Individual Subscribers: 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 in her own name or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children; and any non-Saudi Arabian national who is residing in Saudi Arabia and any national of countries in the Gulf Cooperation Council (the «GCC»), in each case who has a bank account with a Receiving Agent and has the right to open an investment account with a capital market institution (collectively, the «Individual Subscribers», and each an «Individual Subscriber»). Subscription by a person in the name of his divorcee shall be deemed invalid. If a transaction of this nature is proved to have occurred, the applicable regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be deemed void, and only the first subscription will be accepted. A maximum of thirty-two million four hundred thousand (32,400,000) ordinary shares, representing twenty percent (20%) of the Offer Shares, shall be allocated to Individual Subscribers. In the event that the Individual Subscribers do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Subscribers in proportion to the number of Offer Shares subscribed for thereby.

For more information on the IPO, visit www.MC4.com.sa

CONTACT DETAILS

Fourth Milling Company (MC4)
Khalid Al Maktary, CEO
+966 138 299010

Financial Advisor, Lead Manager, Bookrunner, and Underwriter
Riyad Capital
Ayman Abdulaziz AIDrewesh
project.mongolia@riyadcapital.com

MEDIA ENQUIRIES (media@MC4.com.sa)
Instinctif Partners
Matthew Smallwood / Joann Joseph
Email: matthew.smallwood@instinctif.com / joann.joseph@instinctif.com

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In accordance with Article 51 of the OSCO Rules, copies of the Prospectus will, following publication, be available on the websites of the Company (www.mc4.com), the CMA (www.cma.org.sa), the Saudi Exchange (www.saudiexchange.sa) and the Financial Advisor (www.riyadcapital.com). This announcement is not an offer document for the purposes of the OSCO Rules and should not be construed as such. The CMA and the Saudi Exchange do not take any responsibility for the contents of this announcement, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this announcement. 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 the Kingdom. These factors will be described in more detail in the Prospectus. Forward-looking statements speak only as of the date they are made. Each of the Company, the Financial Advisor and its respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward-looking statement contained in this announcement whether as a result of new information, future developments or otherwise. There is no guarantee that the Offering will occur and you should not base your financial decisions on the Company's intentions in relation to the Offering at this stage. 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 in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in relation to the Offering, the contents of this announcement or any transaction, arrangement or other matter referred to herein. The contents of this announcement have been prepared by and are the sole responsibility of the Company. 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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. Accordingly, 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.