

# In-Flight Catering

Facing yet another year of immense disruption to travel and tourism in 2021, SACC's In-Flight Catering (IFC) division remained driven by our key objective to provide continuous quality services across our existing projects and services, whilst capitalizing on new business prospects around the Kingdom to maintain our positive business perspective despite the negative environment.

IFC continued to apply perceptive and forward-looking portfolio management to achieve the right balance of projects to sustain our business momentum throughout 2021. We undertook extensive forward-planning exercises to define an efficient and progressive return to pre-pandemic projections and preserve the financial stability and sustainability of the division going forward.

As the year progressed, IFC capitalized on the gradual return to pre-pandemic travel patterns following the lifting of restrictions in May 2021, which brought a significant increase in air travel and a consequent boost to guest numbers at our lounges and retail outlets. This was marked by a rapid upsurge in the number of foreign airlines resuming flights to the Kingdom, as well as the relaunch of many of Saudia's routes and regular flight frequencies.

## An Agile Response

We worked rigorously throughout 2021 with our airline partners to develop new concepts to support air carriers in an uncertain environment, developing Covid-19 menus for Saudia, introducing new premium class concepts and services for flynas and flyadeal, and supplying PPE to clients.

One of the major success stories for IFC during the year was the grand opening of the largest and most impressive of our lounges – the Saudia Al Fursan International Lounge at Jeddah's King Abdulaziz International Airport (JED) – on 24 November, 2021. The new

flagship lounge, the biggest among the SkyTeam Alliance network in the world, has a capacity to accommodate more than 10,000 guests daily, and offers uniquely attractive services and facilities to travelers, including a chocolate house and a cigar lounge. As international air travel continues to rise in the coming year, the new lounge is set to become a key differentiator for IFC in the segment.

IFC acquired new projects in 2021 including a contract with Saudi Royal Aviation in Riyadh (RUH) awarded in October 2021, and new clients for our Jeddah Wellcome Lounge with the addition of Emirates Airlines, Etihad Airways, Royal Jordanian and Qatar Airways.

SACC signed a new 2-year contract with flyadeal in 2021 and remains in negotiations with a number of other low-cost carriers to extend existing contracts with new terms and conditions to achieve closer alignment with business needs and market developments.

## Our Market and Strategy

Of all the industries affected by the various restrictions imposed to stem the global spread of the Covid-19 pandemic, the In-Flight catering sector bore perhaps the greatest burden, given the severe disruptions to air travel and personal movement since early 2020.

Consequently, the tourism industry has also suffered exceptional challenges in the pandemic era, with personal mobility being dramatically reduced in 2020 and early 2021, both within the Kingdom and

across the world, and supply chain disruptions multiplying throughout the crisis.

For IFC, another aspect of the reduced mobility in recent years has been the effect on major tourist events throughout the Kingdom – most notably the suspension of Saudi Seasons Festivals in 2020, which aims to attract both domestic and foreign leisure tourists to major cities such as Riyadh, largely via air transport. Whilst many such events began to resume in 2021, the enduring restrictions continued to undermine revenue and profit for IFC throughout the year.

Furthermore, extreme fluctuations in cargo freight rates saw high prices through Q2 2021, followed by a drop in Q3 and then a recent resurgence as global trade began to recover.

Nonetheless, the division has succeeded in overcoming these unprecedented negative headwinds by adeptly diversifying to unlock new revenue streams, outperforming our counterparts in other markets.

Passenger confidence grew steadily from Q1 2021, with business volumes gradually climbing until a clear recovery trend became visible during the summer, leading to a shift toward growth in our day-to-day operations.

Reflecting the pace of the turnaround in mid-2021, we successfully restarted the operations of our Cairo Catering Unit in May 2021, followed by our Medina Catering Unit in November 2021.

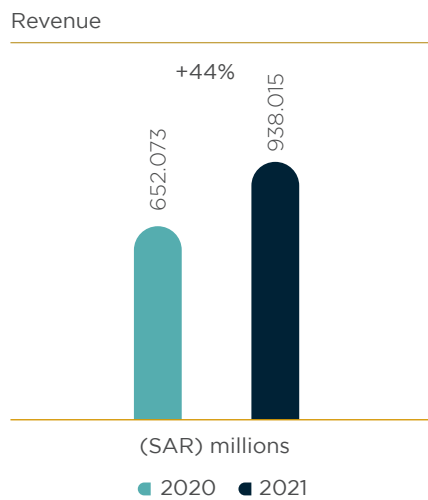
The recovery also inspired a redoubling of our recruitment efforts to onboard top caliber candidates to positively contribute to our growth ambitions, adding to our exceptional employee complement retained throughout the crisis, which is now serving as a key platform for the quick resumption of efficient services to meet resurgent demands.

By responding quickly to changing circumstances and focusing on the businesses best positioned to capitalize on prevailing conditions, our agile response to the market disruption has minimized the costs of recent events and safeguarded revenue.

### IFC's Performance in 2021

With the number of flights increasing, the rising footfall across the Kingdom's airport network in 2021, the return of Saudi Seasons events, and an expanding portfolio of clients and projects, IFC successfully navigated existing market pressures to deliver encouraging results in 2021.

Whilst both revenue and net profit remained below pre-pandemic levels nonetheless saw significant improvement over 2020. IFC achieved revenues of SAR 938 million in 2021, representing a 44% increase over 2020.



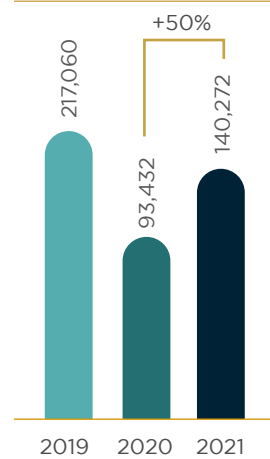
### Digital Transformation

2021 saw progress toward the digitalization of customer experiences in our lounges, with advancements in our e-menu project, which will form part of the new e-experience planned for rollout in early 2022.

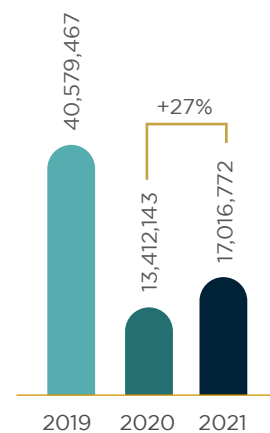
New Point of Sale (POS) facilities were also implemented on all local airlines in 2021 to comply with the new Zakat, Tax and Customs requirements regarding E-invoices, as well as to improve the transparency of transactions, enabling better data analysis.

We also completed the trial phase of our new Saudia Crew QR code project in September 2021, which provides service and heating instructions for the provision of meals by crews in the air, tailored to each individual menu and flight, accessed via a QR code printed on crew handover documents.

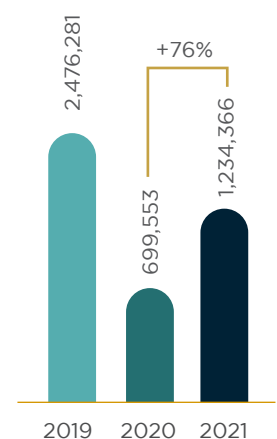
### FLIGHTS



### MEALS



### Airport Lounges Guests



### Central Production Unit

The SACC Central Production Unit (CPU) in Riyadh supplies frozen meals, pre-cut fruits and vegetables, and a broad range of other products to our airport facilities and aviation partners across the Kingdom, as well to our Catering & Facilities division.

While the core of our CPU production is usually dedicated to frozen economy meals for our airline clients and domestic stations in RUH, JED, MED and DMM, the focus of production has varied in response to the depressed aviation market. Our existing objectives continued, however, as we responded through the year to the needs of our various clients – particularly in the context of the retail private label frozen meal range.

Whilst major events remained limited in 2021, early in the year the CPU delivered hot and frozen meals for the 15-day Dakar Rally 2021, providing 56,467 kilograms of goods, with allotted charges amounting to SAR 1.7 million.

Given the unpredictability of demands experienced in 2021, and the consequent threat of material wastage, the CPU implemented a key cost-saving program to divert raw materials approaching their expiry date to avoid wastage – including meat products – for utilization by SACC regions for their clients’ requirement as and where applicable, saving approximately SAR 1.46 million and contributing to a 26.16% reduction in actual vs. budgeted expenditure.

Despite the challenging conditions in 2021, the CPU maintained a positive outlook throughout 2021, preparing the groundwork for the efficient resumption of production to meet the needs of Saudia’s economy class passengers; and upgrading processes and on-time

delivery response capabilities to serve Hajj and Umrah demand and the private label range.

These measures ensured the CPU was primed to successfully meet the abrupt increase in frozen meal demand for Saudia economy class services in 2021 compared to the previous year, as well as the rise in demand for smoked and other products, and an upsurge in the requirements of the private label range of retail frozen meals for distribution Kingdom-wide. This included production for a new bulk meal selection concept, providing 4.5 kilograms per foil tray, that was introduced recently in November 2021 for catering businesses.

The return of demand was demonstrated by the high year-on-year turnover of frozen meals produced by CPU-RUH during July 2021, which largely reflected the need for Hajj portioned meals allotted for pilgrims.

### FROZEN MEALS



27% INCREASE

2020	2021
3,353,065	4,275,150

CPU also began producing new pre-portioned dishes in response to the menu development undertaken during the year, complete with new packaging that was introduced to the local retail market from April 2021. We are now producing 11 dish selections compared to the 5 offered in 2020.

### In-Flight Catering in 2022

IFC is ideally positioned to capitalize on the continuing

recovery in air passenger traffic expected in 2022 and beyond. We are expecting a sharp increase in the number of flights and passengers, especially due to the easing of restrictions on Hajj and Umrah, as well as the revitalized commitments of the Kingdom to tourism development.

As business returns to pre-pandemic levels, we will continue to access the growing number of opportunities to diversify our services and partnerships to generate parallel revenue streams, including in the tourism and events spaces. These sectors are projected to experience a significant revival in the coming year with increases in cruise ship tourism and an expanding calendar of international events including the Saudi Arabian leg of the FIA Formula One.

Food quality and consistency will remain a key focus area for IFC in the coming year, and we will open our own culinary academy in 2022 in partnership with the World Association of Chef’s Societies (Worldchefs), providing world renowned chefs including Michelin Star trainers and other top quality rating organizations access to 12 million chefs around the world.

We also aim to introduce further automation and digitalization in 2022, integrating new technologies across our lounges and in-flight catering services to enrich the customer experience throughout our business lines, whilst also supporting our airline customers in achieving their goals.

In particular, we will provide extensive support to our long-standing partner, Saudia, in the areas of meals and beverages, and cabin crew service, with a view to enhancing the national airline’s progress toward achieving its Top5 program.





# Retail

In 2021, SACC's Retail division maintained focus on accelerating strategic implementation to right-size its footprint and launch its new e-commerce platform to drive future growth, despite a continued depressed market and a highly challenging operating environment.

As with our IFC and C&F businesses, the SACC Retail division continued to face significant disruption and negative market dynamics throughout 2021 owing to the pandemic, characterized by the slow recovery in air travel during the first half of the year.

Our primary focus remained on keeping our people and customers safe throughout the ongoing crisis by ensuring the highest standards of health and safety across our operations, whilst realigning and consolidating our business to prepare for the recovery.

This included cost reductions and efficiency measures to position us for growth going forward, whilst our recruitment objectives focused on building a strong leadership team to activate our strategic priorities as the market revives.

The immediate impacts of the depressed air travel market represented an unassailable challenge to our in-flight retail activities, with airlines suspending their retail services in compliance with Covid-19 regulations and recommendations.

This had an inevitable effect on the execution of SACC's new corporate strategy, illustrated by delays to our retail tender at KAAIA in Jeddah, which forced us to continue operating from a small temporary outlet through an extension to existing arrangements. However, once this project comes to fruition it will effectively double our footprint, allowing us to add new categories to enhance the customer experience offered at JED.

However, we succeeded in completing the soft refurbishment of our outlet in JED departures; extended our contract serving the RUH airport arrivals area, which will allow us to implement a program of renovations that will drive incremental growth as passenger numbers increase; and finalized a contract with RAC to operate a watches and accessories shop within the departures level at RUH.

The development and rollout of our new e-commerce platform experienced delays in implementation in 2021, with the platform going live some 8 months later than expected. Nevertheless, we are confident that this robust new channel will position us to recapture lost sales opportunities as the recovery gathers pace.

We also successfully executed a strategic initiative to divest from small, non-profitable locations throughout the year, fulfilling our targets on schedule and helping to boost our Retail bottom line going forward.

## Retail Performance in 2021

Given the slower than expected recovery from the pandemic, our sales figures for 2021 were well below budgeted expectations. Our financial performance is strongly linked to passenger volumes, so our recovery was greatly influenced by the slower than expected return of domestic and international travel.

## Retail in 2022

Following the successful relaunch of our e-commerce platform in 2021, and the resumption of our in-flight retail program, the SACC Retail division aims to deliver a return to pre-pandemic operations

and growth in 2022, whilst also capitalizing on the expected rise in air traffic and passenger numbers by expanding our ground-based offering and coverage across the Kingdom.

Whilst concerns remain regarding the implications of the latest Covid-19 variant, we remain cautiously optimistic that a noticeable recovery will be seen in the first quarter of 2022 and are confident that we have the right people and processes in place to regain our growth and momentum.

Guided by a new, highly experienced retail leadership team, we will continue the progressive digitalization of our in-flight retail services, adding delivery-to-seat and pre-ordering functions for a growing range of items to drive incremental sales. Also, following the relaunch of our e-commerce platform in 2021, we aim to further develop this dynamic resource in 2022, with an ultimate target to reach 7 million users.

Building on the exceptional work completed in 2021 in planning the relaunch of our in-flight retail program, we will finalize and rollout 3 independent menu listings for Saudia, flyadeal and flynas, marking a first for SACC and allowing for tailored offerings that reflect each airline's specific passenger dynamics.

We will also continue to deliver extensive training and development for the entire retail team, placing our customers at the heart of our service proposition and continuing to exceed the expectations of our partners and Shareholders.



# SALES

Retail Revenue

**43**

SAR million

Relaunched  
e-commerce  
and in-flight  
retail program



# Catering & Facilities

In 2021, the SACC's Catering & Facilities division focused on delivering sustainable growth, exceeding our turnover expectations and successfully achieving full-year profits for the first time, leveraging our experienced human resources and extensive infrastructure to propel our diversification and growth trajectory.

Building upon the key strategic foundations laid in previous years, and despite the considerable prevailing disruption in the Kingdom's economy owing to the pandemic, in 2021 SACC's Catering & Facilities division delivered a profit for the first time in its history, marking a significant milestone in our progressive diversification strategy.

C&F conducted extensive reviews of contract performance during the course of the year. The review allowed us to identify, renegotiate or exit loss-making contracts, paving the way for the successful turnaround of our Railways business and a breakeven in operating expenditure for Saudi Laundry Services (SLS).

These measures were complemented by cost cutting exercises that leveraged an improved product selection and a refined talent replacement and acquisition strategy, achieving savings of between 5% and 20% on major cost components across the business.

Significant milestones achieved in 2021 by the C&F division included our first ever healthcare contract. We also secured the largest Hajj contract in SACC's history, serving 817,000 meals to pilgrims visiting Mecca in 2021, completed the launch of our white label frozen meals, and delivered the soft launch of our integrated facilities management offering.

## Our Market and Strategy

Our market continued to experience unprecedented turbulence throughout 2021, given the ongoing disruption to our key segments created by the pandemic. While some of our clients achieved significant turnarounds, most of our operations remained undermined by low customer numbers, constraints on talent acquisition, and diminished business visibility impeding short-term decision-making processes.

Travel to the holy sites was disrupted for most of 2021 which impacted our Hajj and Umrah, Laundry and Railways operations. However, an uptick in religious tourism during Q4 led to spikes in production and service requirements. In particular, our Saudi Laundry Services unit was heavily solicited as the borders reopened to MENA-based movement of pilgrims, driving daily demand increases of up to 20 tons of non-forecasted laundry needs from clients in the Makkah hospitality sector.

In terms of our Railways operations, the Haramain Highspeed Railways line saw a steady increase of up to 60% in passenger numbers through the year

Nevertheless, C&F harnessed this disruption to pursue further transformation and test the fabric of our resilience as a business, while also significantly strengthening the culture and resolve of our teams.

SACC enjoys fundamental advantages over our competitors thanks to our talent pool and

production assets, as well as our ability to diversify and apply continuous investments in technology.

The C&F corporate strategy remains aligned with our 3-year plan, which was refined based on the various extenuating factors affecting our business in 2020, incorporating a focus on outstanding execution, accompanied by a transition from an operations-led to a business development focused pathway.

To this end, we continue to pursue the regionalization of our teams in order to further segment our activity and allow for more agile development going forward. This approach reinforces our low operation cost model and enables the cross utilization of our people and assets to meet our client and customer needs.

The driving aim of our strategy, therefore, is to remain agile and quick to respond to market opportunities. This means remaining frugal in our investments and customer acquisition processes and delivering increasing diversification and investment to build our capabilities as an integrated facilities management player.

These advances have positioned C&F to capitalize on current market trends by building solutions for a diverse set of clients and business models whilst meeting the demands of the evolving post-pandemic landscape through branded offers, on-site authentic food solutions, retail contracts and our shift towards IFM.



Secured

First ever  
healthcare  
contract



### C&F Performance in 2021

Despite substantial negative headwinds, SACC’s Catering & Facilities division continued to build on the strong foundations achieved over the past 3 years to deliver a highly encouraging performance.

For the first time, the division achieved a net corporate profit of 7% - excluding Staff Services and Single Camp costs - whilst exceeding our turnover targets by SAR 3 million to reach SAR 262

million, resulting in a growth in revenue of 22% over 2020.

These results reflect our efforts in 2021 to apply our strategy and achieved growth, including extensive performance reviews to determine whether to exit or renegotiate loss-making contracts.

Specifically in 2021, we were able to renegotiate our railway contracts to achieve a turnaround and secured breakeven OPEX in our Saudi Laundry Services unit

in Q4 2021, delivering an average volume equivalent to 98% of pre-pandemic levels and signing 10 new contracts worth a combined SAR 3.7 million.

Our success in cost cutting was due to a more rigorous product selection, which achieved savings of 5% on our Cost of Goods Sold (COGS)

## Manpower Highlights

### 1,338 Total C&F employees

174

Saudi male employees

24

Saudi female employees

876

Non-Saudi employees

264

Task Force

## Operational Highlights YTD 2021

### Business & Industry - 3 regions

**8.2 M**  
meals served

**86**  
clients

### Hajj & Umrah:

**807 K**  
meals served

**44**  
kitchens

**9**  
companies

### Laundry

**4.1 tons**  
KAEC

**1.5 tons**  
KFMC

### Service Apartment

**67%**  
current occupancy rate

### Remote Sites - 2 regions

**587 K**  
meals served

**7**  
clients

### Railways

**5.3 M**  
guests

### Accommodations

**1,953**  
residents in 4 camps in 4 cities

### Private Label Frozen Meals

**554 K**  
meals

In 2021, 457,000 meals were produced and distributed following the launch of our frozen white label range, and the successful delivery of our second consecutive contract with the Dakar Rally saw 85,000 meals distributed throughout the event, securing SACC a third contract to supply the event in 2022. In addition to the Dakar's sporting focus, the Events and Function team demonstrated our artisanal and imaginative talent by staging numerous events. In particular the Red Sea Festival, where for 64 days, we hosted artists from across the Arab world and the global south in outdoor and indoor venues.

Our team secured its first Healthcare contract, CityMed, a 7 star establishment aimed at providing the highest standard of medical care in the Kingdom. The CityMed project enabled our operation to adapt to the healthcare industry and prepare for our push into this segment. Crucially, SACC has now obtained its licenses and qualification to participate in MoH related tenders. The qualifications enable us to begin penetrating a notoriously hard segment to enter.

Other major contracts in 2021 included a 5-year agreement with Ma'aden mining – the biggest in

our portfolio in the past 6 years, with a turnover value of SAR 180 million; a contract with SATCO's mandays construction camp, valued at SAR 22 million and representing an important first engagement with the NEOM mega project; and a new contract to supply Saudi Railway Company's North and East lines, bringing the total value of the relationship to SAR 75 million over 2020-2022.

Furthermore, C&F also currently serves the highest number of offshore rigs in our history at 15, with contracts in place for a further 3 rigs in Q1 2022.

### Catering & Facilities in 2022

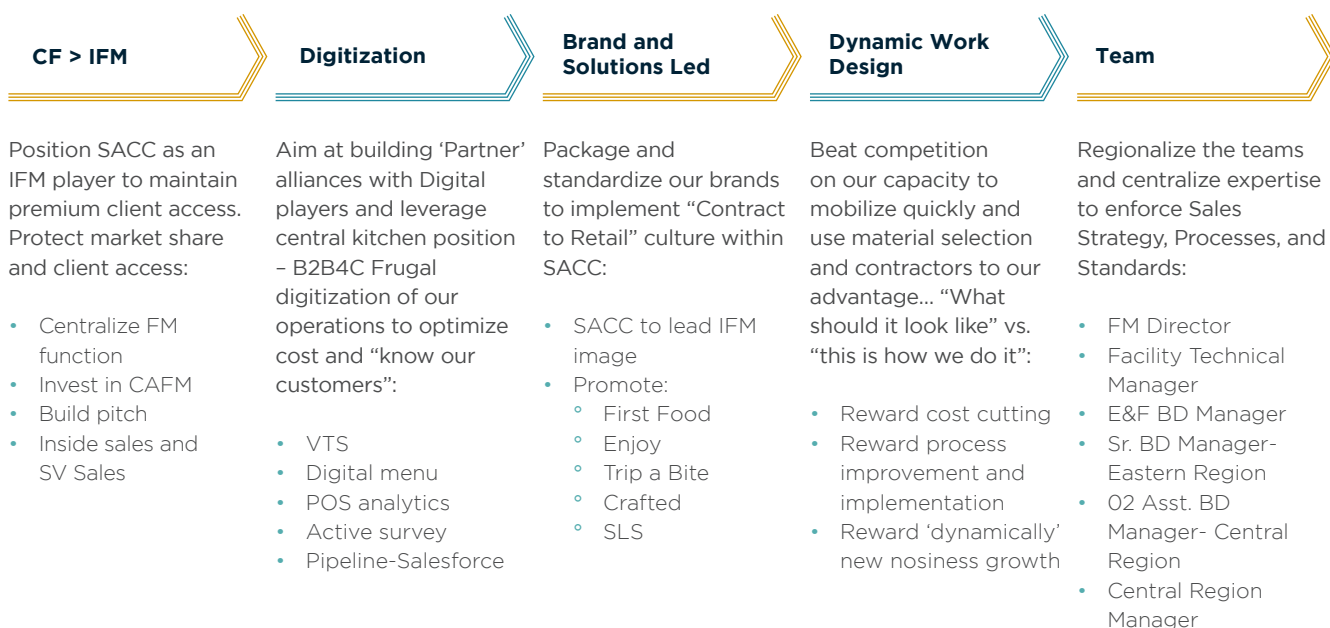
In 2022, we will continue to transition our C&F portfolio away from its historical reliance on Staff Services, which traditionally accounted for around 39% of our revenue, whilst managing organic

growth from existing and new segments.

As raw materials prices continue to increase, the division will focus increasingly on managing our growth to reflect this challenging

trend, whilst also working to further rationalize staffing and personnel costs, balancing these measures against the increasing demands of our clients.

### Strategic Priorities



A key success factor for the C&F division going forward will be our business agility and our ability to rapidly adapt to the evolving needs of our customers and clients through perpetual innovation – all of which support the vigorous implementation of our corporate strategy.

We will seek to diversify and invest to accentuate our capabilities as an IFM player; 2022 will mark the full launch of this effort, beginning with a focus on servicing our facilities before extending our services to the market.

SACC will also continue to pursue an aggressive M&A strategy to complement its skills needs

and major growth ambitions going forward. Key targets of our M&A activities will be the strategic acquisition of assets in the healthcare and IFM sectors, complemented by new ventures and partnerships in the mature start-up and emerging digital platform segments to further diversify our expanding portfolio.



Largest Hajj contract in  
SACC's history, serving

**817,000**  
meals

