

Business activities of the Company

Oman Refreshment Company SAOG (“ORC/the Company”) is engaged in the business of filling and distribution of soft drinks, water, juices, and trading in consumer-packaged goods. It holds the franchise rights to produce, fill and distribute PepsiCo range of soft drinks and Aquafina water as well as trading in new edge beverages, Lays range of snacks, Quaker range of Oat products, Eurocake and EDITA bakery products, Froneri ice cream range (Nestle, Mondelez) of products and Dairy and Chilled range (Balade, Barada) of products, & certain Frozen food products throughout the Sultanate of Oman. Further, it also produces and distributes juices under its own brand name “Topfruit”.

The Company was established in 1975 as a joint stock company initially with small production and bottling facilities which were expanded from time to time as part of the business growth strategies to meet the growing market demand.

The company has purpose fit production & bottling plant as well as central warehousing facilities in Al Ghubrah, Muscat & its largest distribution centre in Al-Ansab with 9 depots situated across the country at Al Wafi, Ibri, Nizwa, Sohar, Salalah, Bukha, Hima, Musannah and Mudheibi that cater to the customers spread across the Sultanate of Oman.

During the year, ORC maintained highest Global standard of food safety for consumer through preventive and treat assessment tool certification including FSSC 22000 V4.1 and ISO 22000:2005 of Food Safety Management Systems (FSMS).

The company acquired Atlas Bottling Corporation (ABC), bottling operation of Pepsico in Algeria, the largest population country of Africa along with exclusive bottling and distribution right for the market effective September 01, 2021. The company has one manufacturing facility in Algiers along with four manufacturing lines and there are two distribution centres.

The ABC company maintains highest level of quality and have Global standard of food safety for consumer through preventive and treat assessment tool certification including ISO 22000:2018 & ISO 9001:2018, AIB certification and FSMS.

Overall Review

The ORC Parent Company sustained a net loss after tax of RO (3,986,751) on a turnover of RO 40,870,748 during the year 2024 against a net profit after tax of RO 4,478,972 on a turnover of RO 69,476,554 in 2023, registering a decrease in the net profit after tax by 189% and decrease in turnover by 41.2% due to geopolitical challenges.

At the ORC Group consolidated, the group achieved a net loss after tax of RO (2,775,270) on a turnover of RO 63,369,118 during the year 2024 against a net profit after tax of RO 6,317,580 on a turnover of RO 96,742,923 in 2023, registering a decrease in the net profit after tax by 143.9% and decrease in turnover by 34.5%.

Forward-looking Statements

This report contains opinions and forward-looking statements, which may be identified by their use of words like “plans”, “expects”, “will”, “anticipates”, “believes”, “intends”, “projects”, “estimates” or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company’s strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements.

Shareholders and readers are cautioned on the data and information external to the Company, that though they are based on sources believed to be reliable; no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same.

Further, the following discussion reflects the perceptions on major issues as on date and the opinions expressed herein are subject to change. The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this report, consequent to new information, future events, or otherwise.

Operating Environment

Oman’s economy has steadily progressed towards greater stability, driven by favorable oil price trends and the ongoing momentum of strategic reforms aligned with Vision 2040. Inflation has remained under control, while both the current and fiscal accounts have posted surpluses, further reinforcing the government’s sound fiscal policies.

The fast-moving consumer goods market in Oman remains dynamic and challenging due to the increased competition, varying consumer choices in addition to the implications of the regional geo-political tensions. The business witnessed significant drop in our revenue and profits during the financial year mainly due to prevailing geo-political tensions. Availability of imported low quality product choices due to geopolitical challenges at multiple customer and channels have added to the existing challenges of the business environment. This has lead to competitive consumer prices and higher investment on advertising and promotion expenses thus bringing the operating margins under pressure. The operating margins were also tested by the prices of key commodity items along with the global supply chain delays resulting in increased cost of transportation.

In addition to the regional geo-political situation, the changing dynamics of employment environment in the Sultanate of Oman that include, inter alia, restricted employment of expatriates, shortage of skilled Omani workforce, the absence of a hire & fire ease policy and swift movement of the skilled Omani manpower from private sector to Government jobs are creating additional pressures on finding replacement of suitably qualified workforce besides the soaring recruitment & wage costs. The excise tax on selected products including carbonated soft drink and energy drinks which are the key revenue driver of the company, have impacted the growth and resulted contracting revenue. The subsidy cancellation on fuel, electricity, and water along with the raise in public charges and direct/indirect taxes are adding pressure on the manufacturing and distribution operation.

Since its inception, the Company has been playing a key role in the soft drinks & beverages business segment in Oman and has continued to be a leading player in this market. Besides the PepsiCo range of soft drinks, the Company’s country wide distribution network had launched many other products in the “Beverages & Juices” sector over the years. The company’s products, backed by its well-established customer relationships, enjoy loyal consumer patronage. The beverages market in Oman continues to grow with the growth of local population as well as the influx of expatriate manpower into the country to meet the requirements of growing economy and the diversity of market demand. On the food market, the rising demand for products with high quality and diversity of packaged goods combined with growing health-conscious consumers offer a promising proposition for the food categories in which ORC operates particularly in the salty & sweet snacks segments and chilled & frozen categories. The management, in partnership with the principal (Pepsi co) has introduced products such as Sport Drink (Gatorade) and Lipton Ice Tea (PET), reduced sugar propositions on carbonated beverages in addition to No Added Sugar juice product range, as well as cereals

and frozen vegetables. The company continued its efforts aiming at reducing the price impact on the consumers and has been continuously improving efficiencies out of various cost control & costs optimization measures, despite the challenges of increased prices of certain key input materials compared to previous year, due to the prevailing job market conditions.

The company continues to tread carefully in its “business expansion and product diversification” journey to cater to different consumer segments to meet the occasion-based consumption needs and diverse consumer tastes.

Opportunities and threats

The company is a significant player in the Omani beverages market and a prominent player in the snacks business segment. The company continues to face threat of competition within the Carbonated Soft Drinks (CSD) market for the company’s products due to geopolitical challenges. The CSD market appears to be facing tough competition from dairy products, juices and other beverages. The earlier adoption of excise tax followed by value added tax on full range of sugary products including Juices, other beverages, and snacks etc has strengthened the threat on overall portfolio range of beverage product which are the key revenue driver of the company. Additionally, the planned implementation of digital tax stamps also poses a threat to the overall costs and operational complexity.

The company has introduced new no added sugar juice range to enhance Company’s position in Juice beverage market. The change in consumer preference and rise of health consciousness, the company has swiftly expanded its range of “Good for you” and “Better for you” propositions. While the company enjoys leadership position in the CSD market despite ample availability of low cost and quality alternatives, it faces stiff competition from many players in the water, juice, snacks and ice cream segments. The company expects to widen its consumer base and strengthen its revenue base with the expansion of the food & beverages product portfolio as we continue to work and explore variety of products for our esteemed consumers.

The company operating environment fosters performance-based management culture in the Organisation, the Company is continuing to attract, develop & retain the best available local talent in line with its business requirements. Volatile international prices of commodities, which are key input raw materials to the Company’s products, may impact the current and future profitability. The company is closely monitoring the raw material prices and endeavours to minimize their adverse impact through proactive analysis and decision making. Further, the Company is also watchful of the ever-changing regional as well as global geo-political situation and ongoing changes in the regional economics.

On the other hand, stagnant consumer prices at multiple customer channels, raising trade margins pressure are severely affecting the “market driven offset mechanism” to absorb the impact of rising input & labour costs. The Company works closely with the respective authorities and other market players to address this issue for the overall benefit of the Omani consumers and economy.

The Company has well-defined marketing strategy, working in coordination with “PepsiCo” and its other partners, aimed at diversifying its revenue base by re-inventing its core products and expanding its product portfolio to cater to the diverse consumer preferences and tastes in careful co-ordination with other key principals.

As regards new investments into the business, the Company has successfully implemented an updated and improved Sales Force Automation system (SFA) in addition to implementation of SAP to improve operational efficiencies and provide stronger process controls. The Company invests significantly & regularly on the upkeep of current production lines, warehousing compliant to the Oman regulations, company’s distribution capabilities and marketing equipment, with the focus

on improving operational efficiencies as well as increased customer reach.

Further, ORC has been following its established “green initiatives” to efficiently manage both liquid and solid ‘waste’ generated during its production/bottling processes. Staff has been regularly trained in various Health, Safety and Environment (HSE) aspects with the focussed objective of strengthening HSE measures in the plant operations and various business locations that have shown tremendous benefits in safeguarding Company assets against unforeseen events and accidents.

The Company is pro-actively carrying out the development of its Omani workforce to enable them to grow in the organization by sponsoring high potential employees to pursue their higher education. The Company had consistently maintained its staff Omanisation percentage above the legal requirement and continues to encourage & employ local workforce at every available opportunity.

The Oman Refreshment Company group will continue to focus on the Algerian Investment strategy as a key growth pillar for medium to long term perspective. While in short term perspective, the management has focus to turnaround the new business through better strategy, improved action and investment in productivity.

Financial and operational performance

The ORC Parent Company achieved a net loss after tax of RO (3.98m) on a turnover of RO 40.87m during the year 2024 against a net profit after tax of RO 4.48m on a turnover of RO 69.48m in 2023, registering a decrease in the net profit after tax by 189% and turnover by 41.2% respectively. This subdued performance is mainly driven by the business disruptions due to the implications of regional geopolitical tensions & stiff competition.

At the ORC Group consolidated, the group achieved a net loss after tax of RO (2.77m) on a turnover of RO 63.37m during the year 2024 against a net profit after tax of RO 6.3m on a turnover of RO 96.7m in 2023, registering a decrease in the net profit after tax by 143.9% and 34.5% decrease in the turnover vs Year 2023.

Environmental, Social, and Governance (ESG) Performance

It has been ORC group best endeavour towards the cause of environmental preservations, social and governance, and has achieved that by adopting world best practices within the community and market we operate. ORC parent company has invested and used the best technology and process to save water usages & recycle the used water and reduce plastic usages.

In the same spirit to reduce energy consumption and to offset its carbon dioxide print by generating energy from green sources, the company has completed its project on solar energy its manufacturing location in Muscat.

Performance of various products

The company operates in the Beverages & Juices segment as well as importing & distributing food products. Following is the contribution of various products to the company’s turnover, in terms of number of cases in thousands:

Product category	2024	2023	Variance (%)
Carbonated Soft Drinks	8,068	14,873	-45.75%
Water	1,713	3,129	-45.27%
Juices	3,151	2,949	6.86%
Other Beverages	164	301	-45.57%
Food	1,112	2,072	-46.35%
Chilled and Frozen	391	378	3.38%
ORC domestic	14,598	23,702	-38.41%
Export	1,693	1,722	-1.67%
ORC	16,291	25,424	-35.92%

N.B.: The above is excluding Arabian Vending LLC & Atlas Bottling Corporation sales.

ORC Parent Financial highlights

	2024 RO	2023 RO	2022 RO	2021 RO	2020 RO	2019 RO
Revenue	40,870,748	69,476,554	76,863,585	69,290,408	63,441,144	63,169,098
Gross profit	11,069,089	22,200,000	27,322,217	26,276,327	26,796,019	25,361,421
(Loss) / Profit before taxation	-4,765,511	5,267,900	9,149,245	11,324,724	10,246,070	9,927,787
Taxation	778,760	-788,928	-1,370,408	-1,714,953	-1,565,153	-1,465,220

Net (loss)/ profit after taxation	-3,986,751	4,478,972	7,778,837	9,609,771	8,680,917	8,462,567
Cash Dividend *	-	2,000,000	3,000,000	3,000,000	2,500,000	2,500,000

*Proposed dividend for 2024 is subject to shareholders’ approval at the ensuing AGM.

ORC Group Consolidated Financial highlights.

	2024 RO	2023 RO	2022 RO	2021 RO	2020 RO	2019 RO
Revenue	63,369,118	96,742,923	95,004,170	73,686,228	63,962,261	63,765,515
Gross profit	17,855,322	29,482,705	30,661,074	26,505,347	26,975,935	25,582,660
(Loss) / Profit before taxation	-3,219,735	7,322,763	8,988,730	8,865,291	10,152,901	9,935,665
Taxation	444,465	-1,005,183	-1,291,156	-1,795,680	-1,567,703	-1,479,619
Net (loss)/ profit after taxation	-2,775,270	6,317,580	7,697,574	7,069,611	8,585,198	8,456,046
Cash Dividend *	0	2,000,000	3,000,000	3,000,000	2,500,000	2,500,000

*Proposed dividend for 2024 is subject to shareholders’ approval at the ensuing AGM.

Conclusion

As we progress into 2025, the Company's strategic initiatives aimed at enhancing operational efficiencies, driving productivity improvements, strengthening systems, fostering innovation, and expanding its market presence will be pivotal in making the business more capable, more precise and more future-fit organization. As regional geopolitical tensions begin to ease, the Company remains acutely aware of the dynamic and emerging competitive landscape within a highly price-sensitive local market. Therefore, maintaining and profitably securing its market share will remain a primary focus moving forward.

Despite these opportunities, the Company recognizes several external challenges that could impact growth prospects. The global geopolitical shifts, with their complex and far-reaching implications, along with fluctuating commodity prices, a challenging labor market, and stagnating consumer prices, may exert pressure on the Company's performance. Additionally, the upcoming introduction of digital stamps for excisable products could introduce further financial and operational complexities.

Nevertheless, the Company is optimistic about achieving a significant turnaround in its financial performance in the coming year. By leveraging its lean yet highly efficient operational structure, prioritizing productivity enhancements, implementing innovative strategies, and accelerating consumer-focused initiatives, the Company is confident in its people and systems to navigate these challenges and drive faster, stronger and better business performance.
