27th June 2020

Factory Al-Salam International Co. Ltd.
Jeddah
Kingdom of Saudi Arabia

Attn: Mr. Hatem Sabouni

INDEPENDENT BUSINESS VALUATION
THE FACTORY AL-SALAM INTERNATIONAL CO. LTD

In accordance with our engagement letter and as your external consultants, we carried out a business valuation of the Factory Al-Salam International Co. Ltd. ("Al-Salam/ the Company/ the Management") as at 31st December 2019 in accordance with Taqeem standards stipulated by the Saudi Authority for Accredited Valuers.

Management is responsible for the data and information provided to us to perform the business valuation. We did not audit or review these data and information received in connection thereto and accordingly we do not express an assurance opinion thereon.

We would like to thank you for the opportunity and the confidence you have in us.

Yours truly

حسام الدين هاشم صدقة
3912000017
Business Accredited Valuer
HUSAM H. SADAGAH

Husam H Sadagah MBA, CPA, SOCPA, CGMA, TABV

CEO

غرفة جدة
التوقيع مطابق دون أدنى مسؤولية على محتوى الوثيقة.
رقم العضوية ٢٢٨٦٥٦
رقم السند ٢٥٤٥٠٠٠٧٣ ٤١/١٢/٠٢ ١٠:١٧:٢١
اسم الجهة مؤسسة او شركة (قطاع خاص) داخل مدينة جدة
مكتب حسام الدين هاشم حمزة صدقة للمحاسبة مبلغ ٢٥
خمسة وعشرون ريال سعودي فقط لاغير
وذلك مقابل تصاديق مستندات

LT069729

Disclaimer and Restrictions

The information contained in this report is confidential and access, use and distribution thereof is restricted to Factory Al-Salam International Co. Ltd. only.

In pursuant to the engagement between Factory Al-Salam International Co. Ltd. ("Al-Salam" or the "Company" or the "Management") and Husam Sadagah, Accredited Business Valuer & Certified Public Accountant – WTS Global representatives ("Sadagah / the Firm / We / Our / Us"), performed a valuation procedure and to prepare the valuation report exclusively for the benefit of Al-Salam and its use. This information may not be relied upon by any person or entity other than Al-Salam. Sadagah makes no representations or warranties regarding this information and expressly disclaims any contractual or other duty to any person or entity other than Al-Salam.

Our valuation is based on the context of the information & documentations provided to us by Al-Salam and is only relevant to those specific facts and circumstances. Our valuation is provided on the basis that such information & documentations are accurate and not misleading. We have not verified or audited such information & documentations as part of our business valuation agreed procedures. Should the information, documentation, specific facts and circumstances change, or their description is incomplete, or the valuation advice is applied to a different set of facts and circumstances, the valuation advice may no longer be applicable or valid. Changes in accounting principles or rules and regulations or their interpretation may or may not take place before our valuation advice is acted upon, or may become retrospective in effect which may result in a change in the appropriate treatment of the same issue in the year-end financial statements. In any of the preceding scenarios, we accept no responsibility in respect of any valuation advice given.

The ultimate responsibility for the decision on the appropriate application of this valuation report rests with Al-Salam. All decisions in connection with the outcome of this valuation report shall be the responsibility of, and made by, Al-Salam.

As of the report date, Al-Salam has not provided us with the audited 2019 financial statements and therefore we used 2019 financial estimates provided to us by Al-Salam. Furthermore, all assumptions in relation to the valuation carried out were provided by the Management who accepts full responsibility of these assumptions and the forecast and accordingly we do not accept any such responsibilities including the potential impact of Covid 19.

By accepting this report the Company agrees to indemnify Sadagah against all third party actions, claims, damages proceedings and adverse events sustained, which the Company, its shareholders / partners, executives, directors, officers or staff may suffer, arising from, or in connection with the provision of our services, except any adverse events proven to be ultimately determined to result directly from our intentional negligence and/or intentional and willful misconduct.

This report shall be maintained in strict confidence and may not be discussed with, distributed or otherwise disclosed to any third party, in whole or in part without Sadagah's prior written consent, nor may the report be associated with, referred to or quoted in any way other than the intended advice given.

Executive Summary

Al-Salam requested Sadagah to conduct a business valuation of the Factory Al-Salam International Company Limited *("Al-Salam" or the "Company" or the "Management")* as at 31st December 2019 ("the Valuation Date") in accordance with the Saudi Authority for Accredited Valuers stipulated Taqeem standards which are based on the International Valuation Standards (IVS). This valuation report is prepared for financing / business expansion purposes and is developed solely for the Company's Management.

Furthermore, this report specifically covers the valuation method used, the assumptions provided by the Management and the concluding enterprise value for Al-Salam.

The Company has incorporated five brand names / trademarks that include; Al-Salam, Dorro, Lazati, Tamini, and Red Gold. Currently the Company distributes its products associated with these brand names in Jeddah, however, the Company plans to expand sales to other potential markets such as; Makkah, Taif, and Riyadh. The major assets of the Company at the Valuation Date included cash, accounts receivables, property plant and equipment, vehicles, fixture & equipment and inventory. The Company's projected operating results and the historical financial positions are summarized on below.

All figures outlined in this report are in Saudi Riyals unless otherwise indicated. The last date on which we collected information and documentation relating to this engagement was 27th June 2020. In forming our value and income conclusions as arrived at herein, we reviewed and relied upon several documentation and information which covered financial statements, management reports, existing valuation, feasibility studies and management researches. A list of documents and information used has been provided on page 14 of the detailed report.

Table 1: Brand Names Incorporated

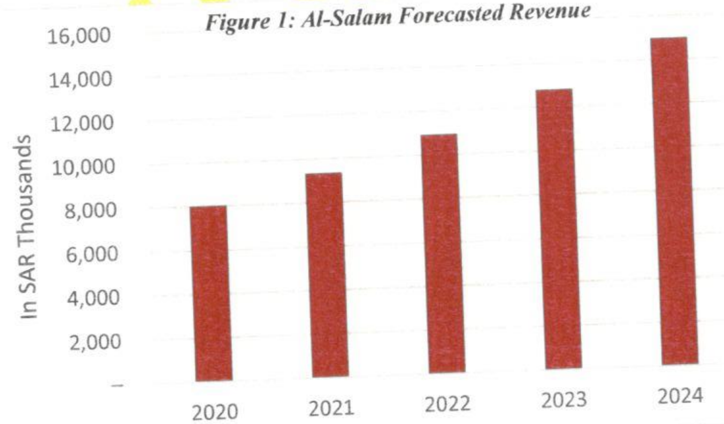
Al-Salam Incorporated Brand Names				
Al-Salam	**Dorro**	**Lazati**	**Tamini**	**Red Gold**

Al-Salam achieved consistent growth up until fiscal year 2017. The Company managed to execute a year-over-year growth of approximately 26.8% by the end of fiscal year 2017. However, Management claims that due to the economic recession and several managerial and operational issues; the Company experienced net losses during fiscal years 2018 and 2019. However, after a revamp in 2019; the Company managed to introduce several new products and are expecting steep growth going forward.

In preparing our valuation calculations, we noted in the detailed report the Management major assumptions and our specific comments, in addition to the assumptions and comments stated throughout the report. Should any of the Management's assumptions or the information and documentation provided to us not be accurate, our calculations of the value of the Company at the Valuation Date, as outlined herein, may be significantly different.

The Management decided to rapidly expand the Company's business and during the expansion period Al-Salam's turnover is expected to grow consistently at a rate of 20% and it is also expected by the Management to last until the year 2024. We requested but not been provided with the interim financial statements for the first half of the fiscal year 2020 to verify that such forecasted growth is being achieved. However, Management maintain that the planned growth is realistic and achievable. In addition, an increase in margins on the new items being brought in by the Company are much greater and therefore, Al-Salam is expected to improve its profitability.

Figure 1: Al-Salam Forecasted Revenue



In order to estimate the Company's value, we have applied the weighted average cost of capital ("WACC") to the Company's pre-debt cash flows. WACC represents a market-adjusted weighted average of an entity's cost of debt (borrowing rate) and its cost of equity capital (i.e., return to shareholders).

An investment that is expected to generate a return equal to WACC would be capable of covering interest costs to the entity's debt holders as well as providing an acceptable rate of return to its equity holders. Accordingly, WACC is the overall return on investment required for an entity.

On the basis of the Scope of Work carried out and subject to the restrictions and qualifications set out herein, we calculated the Enterprise Value of the Company to be approximately SAR 16.97 million as at the Valuation Date of 31st December 2019. Furthermore, the weighted average cost of capital ("WACC") below is based upon our analysis.

A summary of our calculation is as follows:

Table 2: Summary of Enterprise Value

Valuation of Al-Salam (In SAR)	
Weighted Average Cost of Capital (WACC)	16.9%
Total Enterprise Value	**16,973,677**
Tangible asset backing	8,162,474
Total Value of Implied Goodwill (Mainly from 5 Brand Names)	8,811,203

No adjustment is made for the discount for lack of marketability (DLOM) or for the lack of control (DLOC). We believe that no DLOM or DELOC would be applicable for the Company business valuation purposes as this valuation calculation report is prepared solely for the internal use of the Company's board of managers and its Management.

More information can be found in the detailed report to follow.

Scope of Work & Documents Reviewed

The objective of this assignment is to conduct the fair market valuation of the Company for internal purposes and is conducted solely for the Company's board of managers and its Management. Furthermore, our report is prepared in accordance the Saudi Authority for Accredited Valuers – Taqeem and the International Valuation Standards (IVS).

We performed certain procedures necessary for the valuation which required internal and external factors to be reviewed, analyzed, and interpreted as required by the standards.

All figures outlined in the report are in Saudi Riyals. The last date on which we collected information and documentation relating to this engagement was 27 June 2020.

In forming our work and arriving at our conclusion, we reviewed and relied upon, the following limited documentation and information provided to us:

- Unaudited financial statement for the fiscal year end 31st December 2019;
- Audited financial statements for fiscal years ended 31st December 2016, 2017, and 2018;
- Commercial registration for 5 brands – Al Salam, Dorro, Lazati, Tamini, and Red Gold;
- Contracts of facility sites;
- Employee health insurance plans;
- Industrial investment license handed out by the General Investment Authority;
- List of partners and shareholding percentages;
- Zakat, tax, and VAT certificates.

Country and Sector Overview

In light of recent economic data, several revised forecasts point to a modest level of growth in the Kingdom in fiscal year 2020. Jadwa, a reputed Investments Bank research suggests that a further downward revision in oil sector GDP means that we now may see overall growth at 0.2%, versus 1.6% previously estimated. The revision in oil sector growth is not only reflective of Saudi Arabia's commitment to the OPEC and non-OPEC (OPEC+) agreement, but also relates to the impact of Fadhili gas complex and the Jazan refinery to be fully felt 2021, rather than towards the end of 2020, as previously expected. On the non-oil side analysts predict marginally higher growth at 2.8% (compared to 2.7% previously) with this growth being driven by a notable uptick in the non-oil private sector, by 3.3%, compared to 2.4% previously. In fact, a recent study by Jadwa shows that economic activity within the Kingdom remains elevated. Looking further into 2020 analysts expect overall GDP to rise by 2.1% with contributions from the non-oil sector which is highly dependent on the growth in KSA's population.

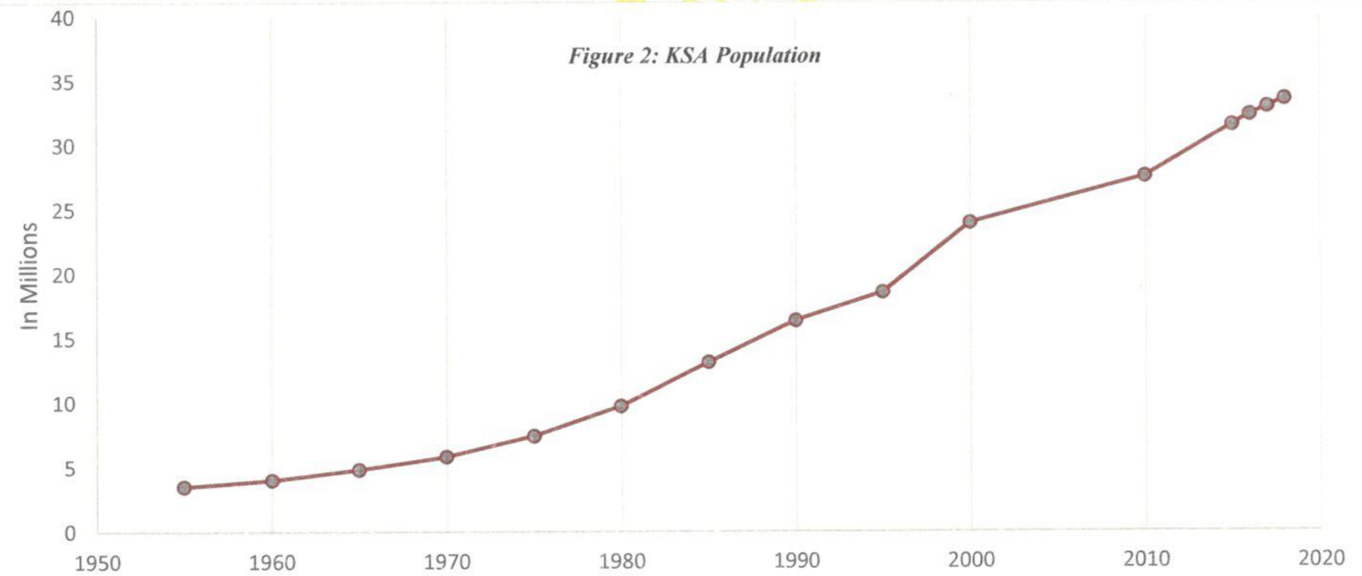


Figure 2: KSA Population

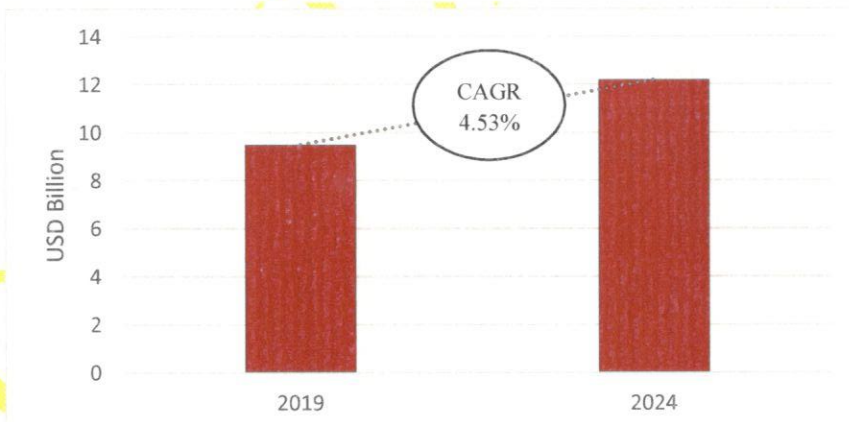
Overall and at this moment in time the range of potential effects of COVID-19 virus on the Kingdom's economy are highly uncertain. Currently the Saudi authorities set-up various precautionary measures to prevent further transmission of the virous but ultimately this is only one side of the coin where the other side is that a prolonged and sustained outbreak of the virus globally could have a broad and lasting disruption to global trade and manufacturing output which will inevitably act as a further drag on the local economy.

However, the agriculture sector continues to remain a major part of the non-oil GDP in 2020, despite the negative impact of the exodus of expats due to dependents' levies. Furthermore, several government regulations like corporate credit allowance as well as the rise in the Saudi population will most likely boost the several non-oil sectors such as agriculture and food & beverage industries.

In summary, analysts believe in the long-term story of the Saudi Agriculture industry due to government support and future market conditions. For example, analysts at Mordor Intelligence believe that the agriculture industry is bound to grow at a CAGR of around 5% up until fiscal year 2024.

The figure below illustrates this.

Figure 3: KSA Agriculture Industry



Company Overview

Based on our review to date we have been advised that the following is true regarding the nature and background of Al-Salam operations.

Al-Salam is a limited liability manufacturing & trading company and was incorporated under the KSA's company law. The Company is mainly engaged in the importing, manufacturing, distributing and selling of spices, pulses, flour, grains, and other food related items. The Company is located in the city of Jeddah and further plans to expand into new markets within KSA.

The major assets of the Company at the Valuation Date included cash, accounts receivables, property plant and equipment, vehicles, fixture & equipment and inventory.

The Company's projected operating results, historical financial positions and the projected cash flows for the years until 2024 as provided by the Management and approved by the principal owners are summarized in the Appendix to the report and it is mainly comprising of selling of spices and pulses.

The shareholders of Al-Salam and their percentage of ownership are as follows:

Table 3: Al-Salam Partners

AL-SALAM PARTNERS	
IDACO Company	45%
Alhalees Company	10%
Mfarih Al-Yami	5%
Muhammed Abdullah Al-Rajhi	20%
Sabouni Brothers	20%

Company's Historical Financial Analysis

Al-Salam managed to execute a year-over-year growth of approximately 26.8% by the end of fiscal year 2017. However, Management claims that due to the economic recession and several non-managerial & operational issues; the Company experienced net losses during fiscal years 2018 and 2019. The Company experienced a negative gross profit margin for the first time during 2018, which was unexpected considering the Company held a strong 26.2% gross profit margin in the previous years. Furthermore, after a revamp in 2019; the Company planned to introduce several new products and incurred related initiation and marketing costs.

The figures below illustrate the Company's revenue and EBITDA for the previous four fiscal years:

Figure 4: Al-Salam Revenue

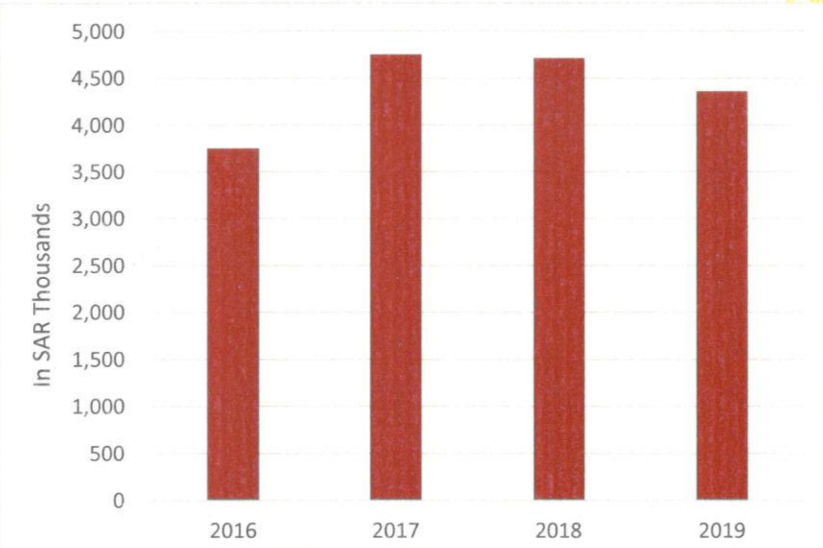
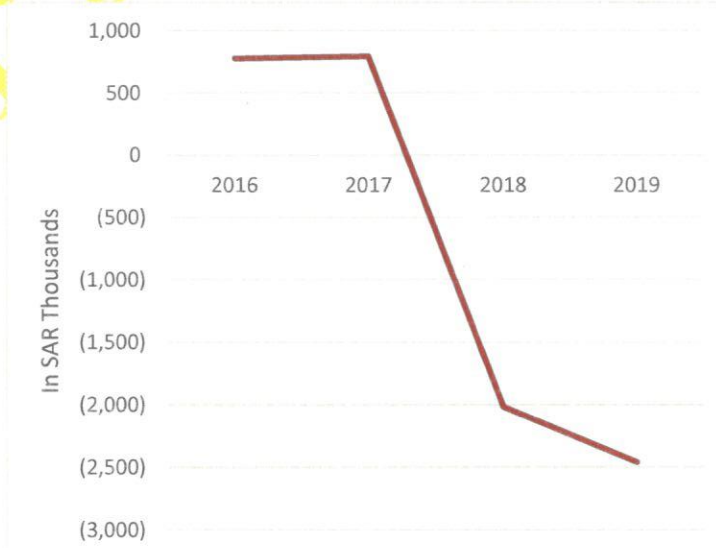


Figure 5: Al-Salam EBITDA



As mentioned earlier, the Company's gross profit margins were strong up until fiscal year 2018; where the Company's cost of sales increased dramatically. Management claims that due to the ongoing operational restructuring, costs were incurred that would be otherwise avoided. Furthermore, Management claims that having spent heavily on government fees, marketing, and other operational costs will help the Company to grow during the upcoming years.

Another key point to consider when looking at Al-Salam's history is its marketing costs. The Company achieved revenues of approximately SAR 5 million without spending on marketing prior to fiscal year 2019. However, during fiscal year 2019 the Company incurred marketing costs of approximately SAR 1 million that Management believes will allow them to grow briskly.

The figures below illustrate the Company's cost of sales compared to revenue and the gross profit margins.

Figure 6: Al-Salam Revenue to Cost

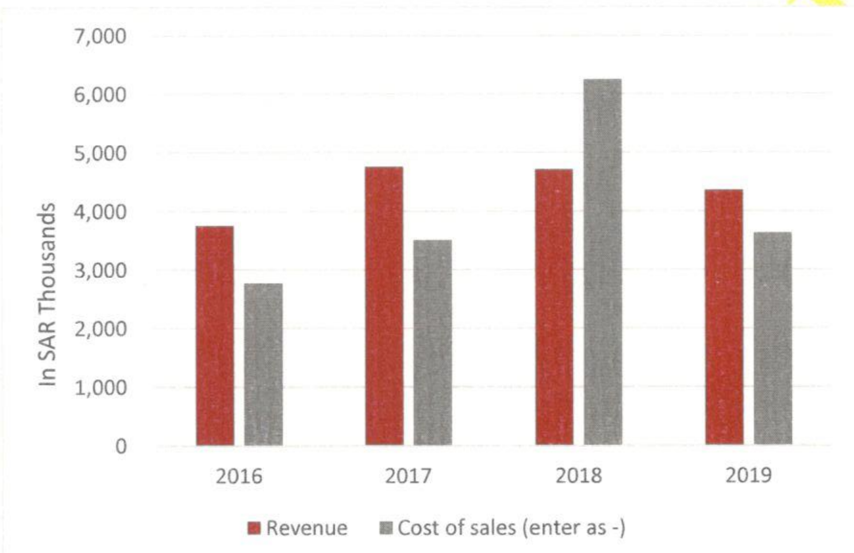
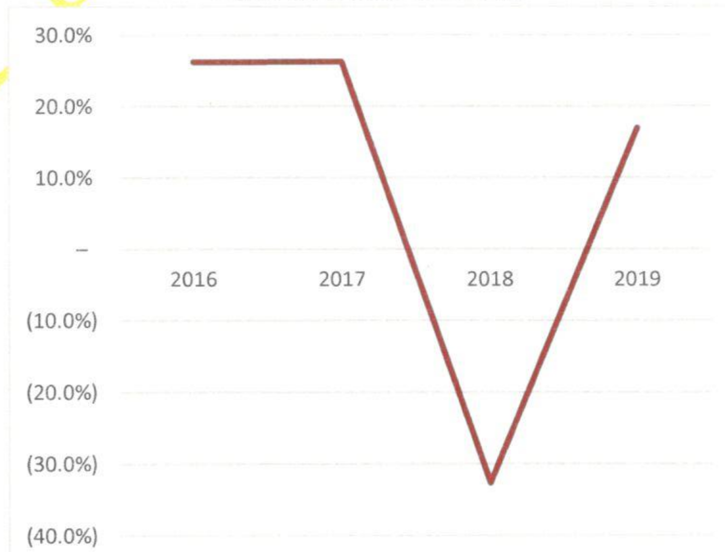


Figure 7: Al-Salam Gross Profit



Selection of Market Input Data

As the determination of the WACC is reliant on market inputs and more specifically the correlation between the return on the market and individual stock (or selection of appropriate guideline public companies) as measured by β (Beta).

In determining an appropriate group of guideline public companies, we considered the following:

- SIC code 204 ("Grain Mill Products") as set out in the "2019 Valuation Handbook including cost of capital" as per Duff & Phelps cost of capital navigator.

Cost of Equity

We used the Capital Asset Pricing Model (the "CAPM") to develop a cost of equity (Ke). The basic CAPM was modified to consider company specific premium, size premium, and country risk premium. The modified CAPM is a common mathematical model used to develop expected returns for equity interests.

The formula and inputs to the CAPM are listed below.

$Ke = Kf + \beta*(Km - Kf) + Ks + \alpha$, where

Kf = Risk-free rate

β = Beta

$Km - Kf$ = Expected equity risk premium ("ERP") on the market

Ks = Size premium

α = Company-specific risk premium

Risk-Free Rate

The use of a long-term government bond rate to estimate the risk-free rate is consistent with generally accepted valuation practices and appropriate in the circumstances because the duration of a long-term government bond is reflective of the length of the cash flows of a going concern business. Therefore, in our discount rate analysis we obtained the United States ("US") Treasury rate data from the Federal Reserve, as of the Valuation Date. According to information obtained from the US Federal Reserve, the long-term 20-year US Treasury Constant Maturity Yields were in the order of approximately 2.25 %.

Equity Risk Premium ("ERP")

The ERP measures the additional risk of equity instruments over risk-free instruments. It is generally accepted valuation practice to apply a forward-looking ERP that adjusts for historical anomalies, such as effects of high historical volatility and historical price/earnings expansion.

According to Duff and Phelps' 2019 Valuation Handbook - Guide to Cost of Capital: "The risk free rate and the ERP, like all components of the cost of equity capital (and the cost of equity capital itself), are forward-looking concepts. The reason that cost of capital is a forward-looking concept is straight-forward: when we value a company (for instance), we are trying to value how much we would pay (now) for the future economic benefits associated with owning the company. Since we will ultimately use the cost of capital to discount these future economic benefits (usually measured as expected cash flows) back to present value, the cost of capital itself must also be forward looking."

We considered numerous published third-party studies that provide a statistical examination of common stocks, small partnership stocks, long-term corporate bonds, long-term government bonds, treasury bills, and inflation. These studies indicate that investments in equity securities in the US equity market have provided consistent premiums over long-term government bonds.

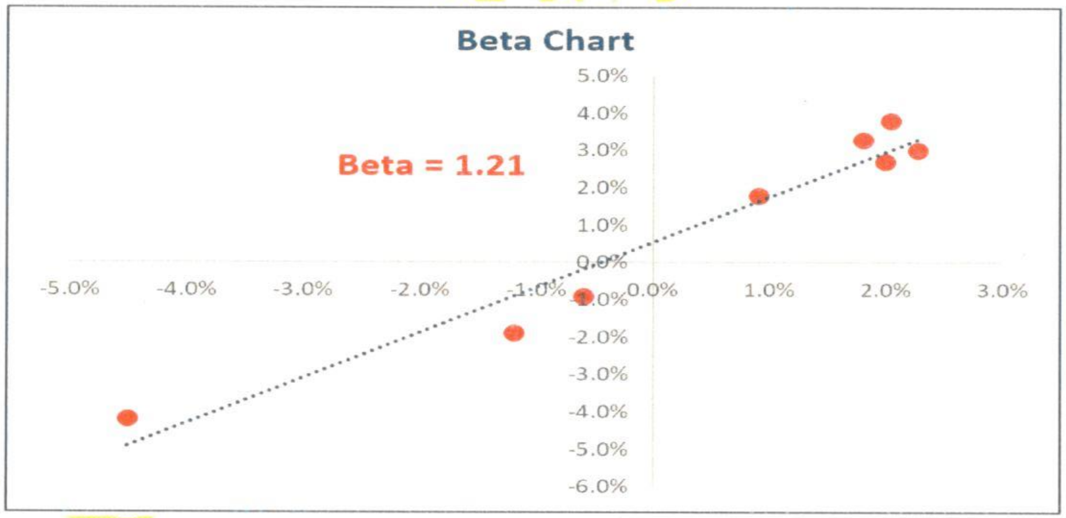
Based on the foregoing analysis, we selected ERPs in the range of 5.0 % for the purposes of determining an appropriate WACC range.

Beta

The CAPM was developed in the context of portfolio theory as a means of measuring the risk that an individual stock contributes to a diversified portfolio. Ownership of a single stock exposes an investor to both unsystematic and systematic risk. In a diversified portfolio, much of the unsystematic risk is eliminated. A portfolio's market risk or systematic risk that remains cannot be diversified away and is captured in the beta within the CAPM. Therefore, beta is a measure of systematic risk.

Beta is determined by comparing the correlation between the return on the market such as the S&P 500 and the return on an individual stock. For specific time periods, the return on the market is graphed on the x-axis and the return on an individual stock is graphed on the y-axis. The line of best fit determined through linear regression is called the "characteristic line" for a particular stock. The slope of this line is the Beta β.

Figure 10: Beta Sample



Source: Corporate Finance Institute

Conclusion

After considering the assumptions noted above and after applying the selected discount rates of 16.90% (elaborated above), we calculated the present value of the discounted cash flows from 1st Jan 2020 to 31st December 2024 to be around SAR 6.92m.

To reflect that future cash flows are expected to be realized by the Company from 1st Jan 2025 to the end of its life, we calculated a terminal/residual value and added it to the value of the Company's cash flow up to fiscal 2024.

In calculating the sustaining annual free cash flow to be realized by the Company from 2024 and thereafter we adjusted projected free cash flows using the following assumptions:

- Future operating cash flows will increase by a reasonable growth rate annually of (3%).
- The Company will not require further working capital investment to sustain the annual growth until 2024.

After applying a terminal value in fiscal year 2024 to the projected cash flow of approximately (Schedule DCF) and discounting the terminal value to the Valuation Date using discount rates of 16.90%, we have calculated the present value of the terminal value to be around SAR 10.06m.

Therefore, the enterprise value for Al-Salam is equal to SAR 16.97m.

Table 4: Enterpise Value

In Saudi Arabian Riyals (SAR)	
Long-term growth rate	3%
Terminal value in 2024	20,025,586
Present value of terminal value	10,055,010
Present value of FCF	6,918,667
Total Enterprise Value	**16,973,677**

Tangible asset backing is an amount equal to the aggregate value of all tangible and identifiable intangible assets, where the latter have values that can be separately determined, and where the value of both tangible and identifiable intangible assets has been determined under a going concern assumption (i.e. on the basis of "value in use" as one component of going concern value, as opposed to market value or "value in exchange" for those same assets sold on a piecemeal basis for alternate use), minus all liabilities.

This method was used to value the implied goodwill for Al-Salam.

The Company holds five different brand names under its umbrella which include; Al-Salam, Dorro, Tamini, Lazati, and Red Gold.

After determining the enterprise value and comparing it with our tangible asset backing analysis, we concluded that the Company's implied goodwill resulting mainly from the five brand names is valued at SAR 8.81m.

Table 5: Implied Goodwill

In Saudi Arabian Riyals (SAR)	
Total enterprise value	**16,973,677**
Tangible asset backing	8,162,474
Total Value of Implied Goodwill (Mainly from the 5 Brand Names)	8,811,203

Appendix

Table 6: WACC Analysis

WEIGHTED AVERAGE COST OF CAPITAL (WACC) ANALYSIS
AS AT 31st DECEMBER 2019

	Low		High
Long-term bond yield	2.25%		2.25%
Size premium	4.99%		4.99%
Equity risk premium	5.00%		5.00%
Levered Beta	0.68		0.68
Company specific risk premium	7.00%		8.00%
Country risk premium	1.90%		1.90%
Cost of equity	17.54%		18.54%
Weight of equity	60.00%		70.00%
Cost of long-term/structural debt	5.00%		5.00%
Composite Tax & Zakat rate	6.00%		6.00%
Weight of long-term debt	40.00%		30.00%
WACC - discount rate	16.12%		17.68%
MIDPOINT:		**16.90 %**	

Table 8: Balance Sheet (Liabilities & Equity)

	Unaudited	Projections in SAR				
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Liability and equity						
Liabilities						
Accounts payable	3,811,387	5,467,902	6,388,239	7,469,051	8,739,131	10,232,562
Accrued expenses	2,215,998	4,065,704	4,750,029	5,553,675	6,498,054	7,608,507
Employees' benefit liabilities	75,225	138,016	161,246	188,527	220,585	258,281
Due to related party	4,685,000	4,685,000	4,685,000	4,685,000	4,685,000	4,685,000
Shareholders' equity						
Share Capital	15,800,000	15,800,000	15,800,000	15,800,000	15,800,000	15,800,000
Statutory Reserve	17,425	17,425	17,425	17,425	17,425	17,425
Accumulated Losses	(5,654,951)	(5,200,062)	(4,530,645)	(3,322,252)	(1,827,191)	(383)
Total liabilities shareholders' equity	**20,950,084**	**24,973,985**	**27,271,296**	**30,391,426**	**34,133,004**	**38,601,394**

Table 11: DCF - PV of FCF

Net working capital (WC Assets - WC liabilities)	(112,169)	(1,031,169)	(1,358,848)	(1,762,599)	(2,258,342)	(2,865,194)
as % of revenue		(12.9%)	(14.5%)	(16.1%)	(17.7%)	(19.1%)
Present value of UFCF on Jan 01, 2020 valuation date						
	Val date	Year 1 - Stub	Year 2	Year 3	Year 4	Year 5
Date for discounting cash flows	1/1/2020	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024
Unlevered free cash flows (UFCF) stub adjusted		1,879,554	1,441,840	1,977,875	2,321,282	2,740,730
Present value of unlevered free cash flows		**1,738,384**	**1,140,748**	**1,338,607**	**1,343,891**	**1,357,036**

Table 12: Enterprise Value Calculation

Valuation of Al-Salam (In SAR)	
Long term growth rate	3%
Weighted Average Cost of Capital	16.9%
Total Enterprise Value	**16,973,677**
Tangible asset backing	8,162,474
Total Value of Implied Goodwill (Mainly from 5 Brand Names)	8,811,203