

AMGIC

INSIGHT SERIES // 01

JUNE 2026

Mr. Feras Al-Bawardi

Managing Director & Vice Chairman, JAZADCO

Riyadh, Saudi Arabia

AMGIC Insights Series: Private Sector Optimization

01 Standardizing Risk Across Diverse Sectors

You hold concurrent board and executive committee positions across JAZADCO, BATIC, and Al Abdullatif Industrial Investment Company. How do you standardize risk management frameworks when overseeing completely different sectors like logistics, manufacturing, and aquaculture?

Being exposed to multiple sectors has actually enhanced my ability to identify and assess risks across different industries. While each sector has its own unique challenges, many risks are interconnected.

For example, agriculture, aquaculture, and manufacturing all depend heavily on logistics for both domestic and international transportation. My exposure to the logistics sector gives me valuable insight into emerging transportation challenges, cost pressures, and regulatory developments that may impact the other industries I oversee.

Similarly, regulatory changes affecting industrial and manufacturing activities often have implications across several businesses. Since most of the companies I am involved with have some form of manufacturing activity, I can apply knowledge gained from one board to provide additional perspectives and identify potential risks or opportunities in another.

Rather than applying identical risk frameworks, I focus on standardizing the underlying principles of risk management: governance, reporting, controls, and accountability, while adapting sector-specific risk assessments to the realities of each business.

02 Correcting the Output Gap at the Corporate Level

Our research on the Saudi economy highlights a historical 0.6 domestic output multiplier caused by legacy private sector inefficiencies. During your tenure at JAZADCO, you implemented a

restructuring strategy aimed at a 20 percent increase in EBITDA. What specific operational redundancies are most common in legacy Saudi firms, and what concrete steps are required to eliminate them?

During JAZADCO's restructuring, one of our biggest challenges was the lack of reliable and transparent data. This made it difficult to accurately assess business performance.

Costs were often allocated inconsistently across sectors, and in some cases expenses were capitalized in order to improve the apparent performance of individual business units. As a result, management attention was focused on reporting outcomes rather than the company's actual economic performance. Additionally, certain costs were charged to unrelated sectors, creating a misleading picture of profitability.

To overcome these issues, we shifted our focus to cash flow analysis, which provided a much clearer view of the health of each business segment. This approach allowed us to identify underperforming operations and make decisive decisions, including shutting down the water bottling factory. The closure immediately reduced cash outflows and allowed management to focus on higher-value opportunities.

We also implemented an ERP system to improve data quality, transparency, and decision-making.

In addition, we applied the 80/20 principle. Since the shrimp business represented more than 75% of our revenue and held the majority of our assets, we prioritized investments in that segment. We upgraded infrastructure, strengthened the management team, and improved operational efficiency. The results were visible within a relatively short period, and we continue to invest in the business because we believe it has the potential to be the company's primary value driver despite the inherent challenges of the industry.

03 **Portfolio Underwriting: Salvage vs. Divestment**

Capital misallocation frequently creates market dislocations. While managing portfolios at JAZADCO and Tabuk Fisheries, you dissolved non-performing business lines to redeploy capital into higher-return investments. What financial and operational metrics do you rely on to determine whether an underperforming sector is salvageable or requires immediate divestment?

I will answer this question using a practical example from JAZADCO, where we decided to discontinue the water bottling business. The key factors we considered were:

1. Market Dynamics. The factory had not expanded its production capacity for many years, while competitors continued to invest and grow. Eventually, some competitors were selling bottled water at prices close to our production cost. It had become an economies-of-scale

business. Our analysis showed that the market was highly competitive, characterized by low margins and low barriers to entry. Based on our feasibility studies, further investment did not offer an attractive return.

2. Current Operational Performance. The factory was operating with aging equipment that required significant maintenance. Historically, many of these maintenance costs had been capitalized, masking the true economic performance of the business. The operation required substantial capital investment simply to remain competitive.

3. Cash Conversion Cycle. The business had a very weak cash conversion cycle. Sales were largely made on credit, with collection periods extending to approximately 90 days. Many customers were small grocery stores, increasing collection risk. In fact, we still have numerous legal cases involving the recovery of relatively small receivables.

4. Opportunity Cost. At the same time, our shrimp business was generating gross margins exceeding 35%, despite operating with a relatively high cost base compared to competitors. It also had a significantly healthier cash conversion cycle and stronger collection profile. When we compared the required investment, market outlook, cash flow profile, and expected returns, redeploying capital into the shrimp business was clearly the better option.

04 Downstream Integration and Margin Protection

JAZADCO shifted its expansion roadmap away from primary commodity production toward downstream integration, specifically value-added food processing and packaging. From a margin and underwriting perspective, how does moving down the value chain protect a company from commodity market volatility?

I believe JAZADCO still has significant room for growth in this area. However, in general, producers must pursue vertical integration if they want to protect margins and create sustainable profitability.

Without downstream integration, producers are often exposed to price pressure from intermediaries and distributors, who can ultimately influence pricing and capture a portion of the value created by the producer.

A good example is AlJouf Agriculture Company. In addition to producing olives, the company expanded into olive oil extraction and, more recently, invested in potato processing. The results have been impressive. If you review the company's financial performance today, you will notice that the downstream businesses generate more stable and sustainable earnings. In contrast, the upstream farming activities remain more vulnerable to climate conditions and seasonal fluctuations.

By moving further down the value chain, companies gain greater control over pricing, strengthen customer relationships, diversify revenue streams, and reduce their exposure to commodity price volatility.

05 Literature Recommendation

| *To close, what's a book you have read that meaningfully shifted your perspective?*

One book that had a significant impact on my thinking is *The Boulevard of Broken Dreams* by Josh Lerner. Although the book focuses primarily on public-sector initiatives designed to promote entrepreneurship, its lessons are highly relevant to corporate governance and board decision-making.

The most important lesson I took from the book is that success cannot be replicated simply by copying the actions of others. Many organizations attempt to imitate competitors or adopt best practices without fully understanding the underlying context: timing, market conditions, demand dynamics, or long-term sustainability. This lesson applies directly to boardrooms. Consultants and management teams may sometimes recommend a particular strategy because it worked elsewhere, but effective decision-making requires a deeper assessment of whether that approach truly fits the company's unique circumstances and objectives.

IN CLOSING

The thread running through Mr. Al-Bawardi's account is operational discipline applied without sentiment: reliable and transparent data, costs accounted for honestly rather than dressed up, and the readiness to pull capital out of what no longer earns its place and redeploy it into what does. That is how corporate inefficiency is removed and how growth is made to last.

The AMGIC Insight Series exists to capture frameworks like these from the founders and operators building the Gulf's private sector, and to put them in front of the people who will build what comes next. The aim is a standing record of Arab excellence: one that gives the next generation of regional enterprise a higher floor to start from.

Our thanks to Mr. Feras Al-Bawardi for the time and the candor he brought to this project.

Adell Ali Al-Matrood

FOUNDER & CHIEF EXECUTIVE OFFICER
AMGIC HOLDINGS, LLC