ALMARAI

EVENT FLASH

Almarai doubles it share capital

With the doubling of its share capital, Almarai's share price has halved. This move is purely an accounting exercise by the company, but may lead to positive sentiment in the stock, coupled with improved liquidity.

- Almarai shareholders agreed on Sunday 5 December 2010 at an EGM to double the share capital of the company to SR2.3bn. This will lead to the number of shares increasing to 230 million, from 115 million. With immediate effect, this has resulted in the share price falling by half to SR109.75 from the SR219.5 closing price of Sunday.
- Although the increase in share capital is purely an accounting exercise and in no way changes the valuation of the company, we believe it will improve sentiment on the stock, as well as increase liquidity.
- At its pre capital increase price of SR219.5, Almarai was the most expensive stock in the Saudi market in absolute terms. Now trading at around the SR113 level, it will be much more accessible for retail investors.
- Our previous PT was SR200; this is now equivalent to SR100. As mentioned, the doubling of shares has no impact on the valuation of the company.
- As a side note, we view as a positive the announcement by Almarai on Sunday 5 December that it is launching its first infant milk products through its JV with Mead Johnson. However, we highlight that these products will be imported, and will not be sourced from its own facility which it is currently constructing. The company expects the locally produced products to replace the imported products by the end of 2011.

NEUTRAL

Target price	SR100
Current price (SR)	113.3

STOCK DETAILS

M52-week range H/L (SR)	113/79
Market cap ($ mn)	6,955
Shares outstanding (mn)	230
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	5.3	12.3	37.7
Rel. to market	6.3	10.8	36.2

Avg daily turnover (mn)	SR	US$
3M	32.0	8.5
12M	23.7	6.3

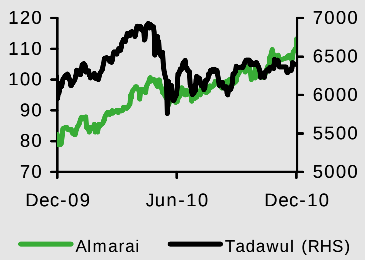
Reuters code	2280.SE
Bloomberg code	ALMARAI AB
	www.almarai.com

VALUATION MULTIPLES

	09A	10E	11E
Reported P/E (x)	23.8	19.6	16.6
Adjusted P/E (x)	23.4	19.3	16.4
P/B (x)	4.8	4.2	3.8
EV/EBITDA (x)	18.2	15.7	14.0
Div Yield (%)	1.8	2.0	2.4

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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Ncbc Investment Ratings

OVERWEIGHT: Target price represents expected returns in excess of 15% in the next 12 months

NEUTRAL: Target price represents expected returns between -10% and +15% in the next 12 months

UNDERWEIGHT: Target price represents a fall in share price exceeding 10% in the next 12 months

PRICE TARGET: Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

Other Definitions

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company