Global Research

Equities

Saudi Arabia

Saudia Dairy & Foodstuff Co. SADAFCO

September 2009

Global

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Saudia Dairy & Foodstuff Company - SADAFCO

Tickers:
SADAFCO AB (Bloomberg)
2270.SE (Reuters)

Listing:
Saudi Stock Exchange (Tadawul)

Current Price:
SR35.7 (30th August, 2009)

Fair Price:
SR33.8

September 2009

Hold

Investment Summary

- The growth story of **Saudia Dairy & Foodstuff Company (SADAFCO)** revolves around (i) strong brand image (ii) existing product line modifications and an expanding target market and (iii) population growth in the local and regional markets. This will lead the company's top line to increase at a CAGR of 2.3% during 2008/09-2012/13E with an expectations of lower average prices of products as compared to the average prices recorded in 2008/09.

- The Company's profitability in 2008/09 has suffered a major dent from write-offs/provision against affiliate R/A, which has led the company to post after tax profit of SR38.9nm, which has caused the future profitability to increase at a higher CAGR of 23.7% during 2008/09-2012/13E. However, we believe by eliminating the impact of write-off/provision from the Company's profitability in 2008/09 then the expected increase in profitability would be at a CAGR of 10.6%, during 2008/09-2012/13E.

- SADAFCO recently introduced a new triangular cheese, which the management of the company believe will further strengthen the company's position in the market. We believe this will allow the company to extend the usage of its products from domestic household consumption to schools and picnic. In addition, the Company has entered into alliances with renowned electronic medias to further promote and maintain its brand image.

- The Middle East and GCC milk & dairy product market is expected to increase at a 2008-13 CAGR of 2.6% and 2.3% to 7.6mn tons and 6.6mn tons by 2013, respectively. The growth is mainly based on the forecasted growth in the population at a CAGR of 2.6% in the Middle East and 2.3% in GCC during 2008-13 . The average per ton prices, during 2009-13, of Class 1, Class 2, Class 3, Class 4a and Class 4b milk are expected to be in the range of US$318.3-333.1, US$284.3-299.2, US$280.7-295.6, US$266.2-281.1 and US$265.6-280.0 respectively.

- We have implied DCF valuation methodology to calculate the intrinsic value of the Company. Under this valuation methodology we have arrived at a fair value of SR33.8, which is 5.4% lower than the current market of SR35.7 (as on 30th August 2009). We, therefore, initiate our coverage on SADAFCO with a '**HOLD**' recommendation.

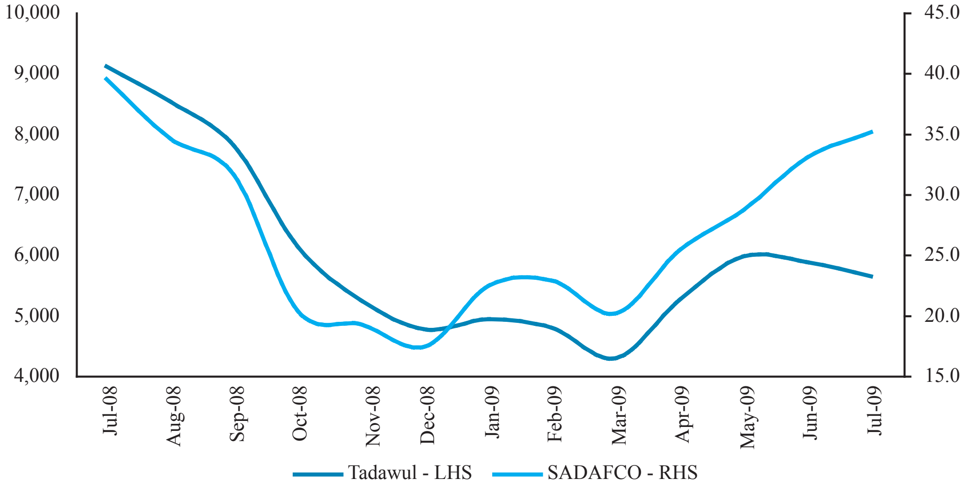
Table 01: Investment Indicators

Price as on 30th August 2009 (SR)	Shares in issue (mn)	Market Capitalization (SR mn)	52-Week Price (High / Low)
35.7	109	14,715	39.9 / 16.3

	Revenues (SR Mn)	Net Profit (SR Mn)	EPS (SR)	BVPS (SR)	ROAE (%)	P/E (x)	P/BV (x)
2010/11E	911.9	53.1	1.6	17.1	9.8	21.8	2.1
2009/10E	907.2	52.2	1.6	16.3	10.1	22.2	2.2
2008/09A	922.3	28.4	0.9	15.5	5.6	37.8	2.1
2007/08A	878.2	57.3	1.8	15.9	11.4	18.7	2.1

*Source: Annual Reports and **Global** Research*
Historical P/E & P/E multiple pertain to respective March-end prices, while those for future years are based on closing price as at 30th August 2009

Chart 01: Share Price Performance



*Source: Reuters, **Global** Research*

Company Overview

Saudia Dairy & Foodstuff Company (SADAFCO) was established in 1976 and commenced its commercial production in 1977. The Company has operation in all over the Middle East region. The Company is among the most prominent local player in the Saudi and regional market. The Company's principal manufacturing facilities are located in Jeddah and Dammam. Marketing and distribution activities of SADAFCO is carried out through the local distribution and sales network within the country. However, for regional coverage the Company has also established distribution outlets in UAE, Bahrain and Jordan through subsidiaries. The international access of the Company's products is through the external distributors/agents in Kuwait, Sudan, Oman, Yemen and Jordan.

Table 02: Subsidiaries Of SADAFCO

Name Of Subsidiaries	**SADAFCO Holding**
SADAFCO Foodstuff Company LLC, UAE	100.0%
SADAFCO Foodstuff Company WLL, Bahrain	100.0%
SADAFCO Foodstuff Company LLC, Jordan	100.0%
SADAFCO Foodstuff Company LLC, Qatar	75.0%

Source: SADAFCO Annual Report 2008-09

SADAFCO initiated its commercial operation with the key focus on the milk & dairy products and made strong market presence in the local and regional markets. Going forward, in the wake of increasing the product line of the Company the management of the Company has done subsequent acquisition of the local Companies including Saudi New Zealand Milk Product (SNZMP) and Sara Snack Foods Factory. Consequently, these acquisition had expand the product line from milk & dairy products to snacks and other foodstuffs.

Table 03: Product Portfolio SADAFCO

Milk	**Dairy Products**	**Ice Cream**	**Foodstuff**	**Juices & Water**	**Value Added Beverages**
UHT Milk (Saudia)	Cheese (Saudia)	Ice Cream (Baboo, Saudia)	Tomato Paste (Saudia, Basateen)	Juices (Saudia, Chillz, Bonjus, Majestique)	Malt Beverage (Fayrouz, Birell)
Flavored Milk (Saudia, Siammers)	Yoghurt (Aryan)	Premium Ice Cream (Movenpick)	Snacks (Crispy)	Bottled Water (Saudia)	Iced Tea (Chillz)
Valued Added Milk (Livewell, Saudia Sehati)	Desserts (Saudia)		Hommos & Mutabal (Saudia)		Energy Drinks (GR8)

Source: SADAFCO Prospectus

Milk & Dairy Product Market Overview

Industry Overview

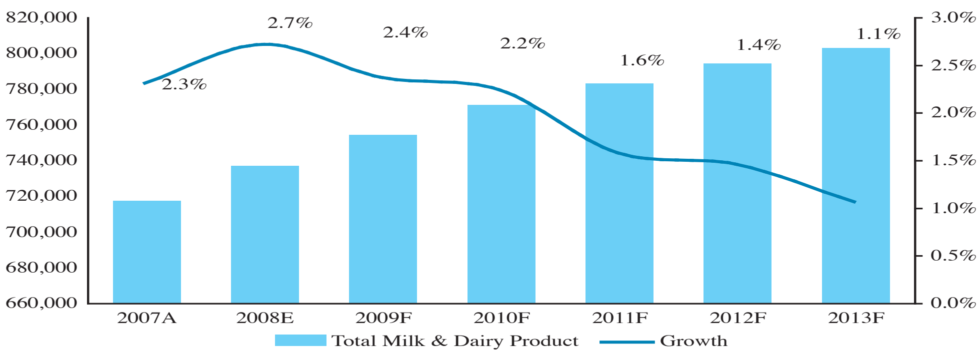
Outlook of World Milk & Dairy Market

According to Food & Agriculture Policy Research Institution (FAPRI) and Food & Agriculture Organization (FAO), the milk supply has increased at 2004-08 CAGR of 3.1% to 696.6mn tons. In addition, based on the FAPRI, the average 'dairy products to milk ratio' remained at an average level of 5.9% during 2004-07, while the ratio is expected to remain at the same level of 5.8% in 2008.

On the other hand based on FAPRI and our estimates, the world production of basic dairy items i.e. butter, cheese, whole milk powder and skim milk powder during 2004-08 registered an increase at a CAGR of 2.4% to reach 40.4mn tons in 2007. We believe that the past growth in the production of dairy products is mainly due to (i) the growth in world population, which has widened the demand - supply gap (ii) the increasing trend of conversion traditional dairy farming to advanced dairy farming (iii) the filling up demand - supply gap, occurred due rising population and (iv) undisrupted supply of milk to processor.

Going forward, according to FAPRI and our forecast, the world milk & dairy product supply is expected to increase at a CAGR of 1.7% during 2008-13. The expected growth in the market is mainly attributed towards (i) the rising population, which increases the demand of these products, (ii) expansion of operations by existing companies, through acquisition and (iii) being a relatively low capital intensive industry, there is an increase in trend of conversion from traditional farming.

Chart 02: Forecasted World Milk & Dairy Market Supply (000 tons)



*Source: FAPRI & **Global** Research*

The consumption of milk & dairy products in any country is much dependent on (i) taste preference, (ii) income level in the country (iii) weather and (iv) demographic characteristics of the population. According to FAPRI, in 2007, the highest per capita consumption of milk & dairy products was recorded at 153.4kg in Uruguay followed by 125.1 kg in Switzerland.

Table 04: Milk & Dairy Product Consumption per Capita (kg)

	2005A	2006A	2007A	2008E	2009F	2010F	2011F	2012F	2013F
Argentine	60.9	62.2	63.9	65.9	68.3	70.2	71.7	73.4	75
Australia	120.5	119	124.5	124.6	125.5	126.1	126.3	126.6	126.6
Brazil	76.8	76.9	83.4	89	95.9	98.7	101	103.2	105.4
Canada	104.1	103.1	107.3	105.3	104.8	104.1	103.6	103.1	102.5
China	8	6.7	9.2	9	9.8	10.6	11.4	12.2	13
Colombia	96.7	101.9	101.6	102.8	104.2	105	105.9	106.6	107.3
Egypt	26	25.3	25.6	26.7	27.4	28	28.6	29	29.4
European Union	98.45	94.9	88.9	88.6	88.7	88.8	88.9	89	88.8
India	37.7	39.6	41.2	44.19	46.9	49.4	51.1	52.7	53.4
Indonesia	2	2.2	2.3	2.4	2.5	2.7	2.8	2.8	2.9
Japan	42	40.9	39.7	39.8	39.7	39.7	39.8	39.7	39.8
Malaysia	8.3	8.6	8.7	8.9	9.2	9.5	9.8	9.9	10.1
Mexico	48.8	46.8	46.3	45.7	46.5	46.9	47.6	47.9	48.6
New Zealand	103.9	103	102	103.4	101.7	104.8	105.1	105.4	105.2
Peru	25.1	25.5	26	26.3	27.5	28.3	29.2	30.1	30.8
Philippine	2.6	2.7	1.8	2	2	2.1	2.2	2.2	2.2
Russia	95.5	96.4	94.5	95.9	97.5	98.9	100.7	101.7	102.8
South Korea	33.7	34.5	34.4	34.1	34	33.7	33.7	33.5	33.2
Switzerland	119.4	128.7	125.1	125.8	125.5	124.8	124.1	123.3	122.7
Thailand	14.7	16.2	16.3	16.8	17.4	17.9	18.4	19	19.5
Ukraine	98.1	136.6	116.3	117.8	119.1	120.2	121.3	123.1	123.6
United States	111.7	111.9	112.16	110.6	110.4	110.1	110	109.9	109.5
Uruguay	114.6	158.8	153.4	155.3	161.6	165	165.2	166.9	168.2
Venezuela	16.6	17.5	15.6	15.9	16.1	16.2	16.6	16.7	14.01
Vietnam	2.9	4.3	2.2	2.5	2.9	3	3.2	3.3	3.5

Source: FAPRI, per capita consumption is based on FAPRI estimations

The world's per capita consumption of milk and dairy products is expected to show some improvement and increase at an average CAGR of 1.7% during 2008-13, while the per capita consumption in Uruguay remained on the higher side at 168.2kg per head in 2013. However, China is expected to register the highest growth in per capita consumption at a CAGR of 7.6%, during 2008-13, followed by Vietnam, this is mainly due to smaller units.

Pricing Procedures of Different Classes of Milk

Class 4a Milk Pricing

Based on CDFA pricing procedures the price of Class 4a milk is a summation of Class 4a fat prices and Class 4a SNF prices. However, the prices of Class 4a fat and SNF are mainly relying on the commercial market prices of butter, NFDM & Cheddar Cheese, which are subjected to have adjustment with manufacturing cost allowance. The following steps are presented by CDFA:

Step 01 Class 4a fat = ((butter price - US$0.0285) - (butter manufacturing cost allowance) x butter yield factor

Step 02 Class 4a SNF = (NFDM price - NFDM manufacturing cost allowance) x NFDM yield factor

Step 03 Class 4a milk price per cwt (100 lbs) = (Class 4a fat price x 3.5) + (Class 4a SNF price x 8.7)

Class 4b Milk Pricing

The price of 4b milk is the combination of fat and SNF components prices. However, the price of SNF in Class 4b is arrived by using the monthly average prices of cheese while pricing mechanism for 4b fat is equal to the 4a fat prices. In addition, for the price of cheese, CDFA uses average CME prices for 40lbs block of Cheddar cheese to set a base price. The base price is subjected to have adjusted with the difference in the CME price and the price actually received by California Cheddar cheese processor. Moreover, the derived commodity prices for class 4b formula are implemented for the period of 26th of the previous month and 25th of the current month. CDFA defines the following steps to arrive at the per cwt (100 lbs) price of milk class 4b:

Step 01 Cheese price per cwt (100lbs) = (Cheddar cheese price - US$0.0290) - Cheese manufacturing cost allowance) x (Cheddar Cheese Yield) + (CME AA butter - US$0.10 - butter manufacturing cost allowance) x whey butter yield) + ((dry skim whey price - dry skim whey manufacturing cost) x (dry whey yield))

Step 02 Class 4b fat price = Class 4a fat price

Step 03 Class 4b SNF = ((Cheese price per cwt) - (3.72 x Class 4b fat)) / 8.80

Step 04 Class 4b milk price per cwt (100 lbs) = (Class 4b fat price x 3.5) + (Class 4b SNF price x 8.7)

Class 1 Milk Pricing

The pricing of Class 1 milk is the combination of the prices of (i) Class 1 fat, (ii) Class 1 SNF and (iii) Class 1 fluid carrier. However, the end price of Class 1 milk could be varying based on the composition of all these components. The following are the procedures set by CDFA to determine the prices of each component of Class 1 milk:

Step 01 Price of Class 1 fat = (CME butter - US$0.10) x 1.2

Step 02 CRP is the higher of: (CME Cheddar) x 9.8 + (CME AA butter - US$0.10) x 0.27 OR (CME butter x 1.2) x 3.5 + (CA NFDM x 0.99) x 8.7

Step 03 Price of Class 1 SNF = (((CRP+US$0.464)-(Class 1 fat price x 3.5)) x 0.76) / 8.7

Step 04 Price of Class 1 carrier = (((CRP+US$0.464)-(Class 1 fat price x 0.24)) x 0.76) / 87.8

Step 05 Price of Class 1 milk per cwt (100 lbs) = (3.5 x Class 1 fat) + (8.7 x Class 1 SNF) + (87.8 x Class 1 carrier)

Class 3 Milk Pricing

Class 3 milk pricing mechanism is mainly based on the average prices of Class 4a fat prices and SNF prices. However, these pre-determine prices are subjected to have adjusted with the charges of the milk Producer Security Trust Fund.

Step 01 Class 3 fat prices = Average Class 4a fat price + (US$0.0370 OR US$0.0393)

Step 02 Class 3 SNF prices = Average Class 4a SNF price + (US$0.0586)

Step 03 Class 3 Milk price per cwt (100 lbs) = (3.5 x Class 3 fat) + (8.7 x Class 3 SNF)

Class 2 Milk Pricing

Class 2 milk pricing mechanism is similar to the class 3 milk pricing procedure. However, the only difference is in the adjusting factor in class 2 SNF prices.

Step 01 Class 2 fat prices = Average Class 4a fat price + (US$0.0370 OR US$0.0393)

Step 02 Class 2 SNF prices = Average Class 4a SNF price + (US$0.0643 OR US$0.0901)

Class 2 Milk price per cwt (100 lbs) = (3.5 x Class 2 fat) + (8.7 x Class 2 SNF)

Where;

Cheddar cheese price	= 40lbs block CME price
Cheese manufacturing cost allowance	= US$0.1710 per lb of product
Cheese yield factor	= 10.2lbs of cheese per cwt of milk
Whey butter manufacturing cost allowance	= US$0.1560 per lb of product
Whey butter yield factor	= 0.27 lbs of butter per cwt of milk
Dry skim whey price	= Monthly average of the dry whey price
Dry skim whey manufacturing cost	= US$0.20 per lb of dry skim whey
Whey butter yield factor	= 5.87 lbs of whey per cwt of milk
Butter Price	= Bulk butter price at CME carrier
Butter Manufacturing Cost Allowance	= US$0.1560 per lb of butter
Butter Yield Factor	= 1.2 lbs of butter per pound of fat

CME = California Mercantile Exchange

CRP = Commodity Reference Price

CA = California Weighted Average Price NFDM = Nonfat Dry Milk

SNF = Solid Non-Fat

Class 4a Milk = 3.5% fat, 8.7% of SNF and 87.8% fluid

Source: California Department Of Food & Agriculture - CDFA

Milk & Dairy Product Prices

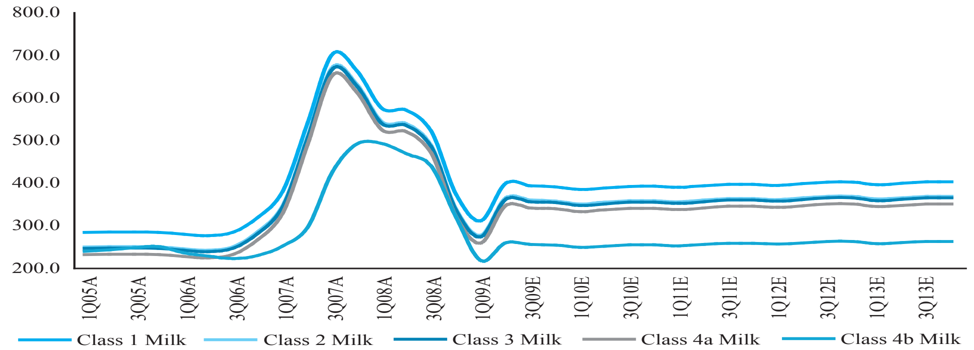
The price of milk as a whole is expected to remain in the range of US$234.9-277.5 per ton (US$0.10-0.12 per lb) during 2009-12.

Chart 03: Average Prices of Whole Milk (US$ per ton)

*Source: Bloomberg, Agriculture & Applied Economics (aae) & **Global** Research*

Moreover, we have calculated the prices of different classes of milk on the basis of pricing procedures and mechanism given by CDFA. The average per ton prices of Class 1 milk, Class 2 milk, Class 3 milk, Class 4a milk and Class 4b milk is expected to range between the levels of S$318.3-333.1 per ton, US$284.3-299.2 per ton, US$280.7-295.6 per ton, US$266.2-281.1per ton and US$265.6-280.0 per ton respectively.

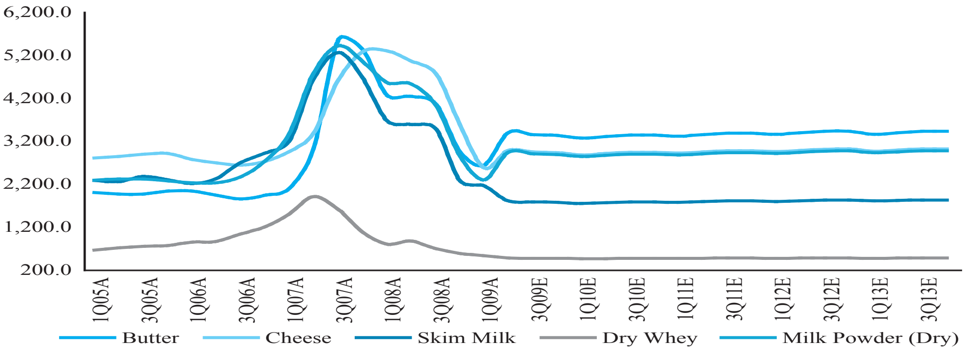
Chart 04: Average Prices of Milk Classes (US$ per ton)



Source: Agriculture & Applied Economics (AAE), CDFA & Global Research

We have derived the future prices of butter, cheese, fluid milk (skim milk), powder (dry) milk and dry whey from the price of whole milk (raw), which is the basic input for these products. In addition, the processor has to pay a price to farmers / suppliers, based on the class of milk.

Chart 05: Average Prices of Dairy Products (US$ per ton)

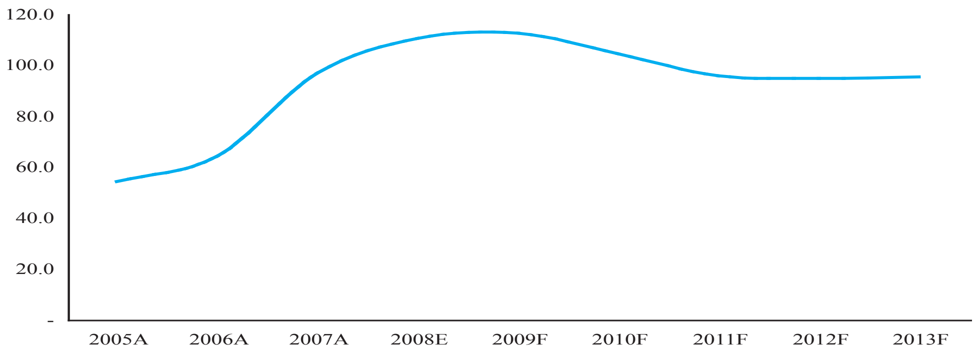


*Source: Agriculture & Applied Economics (AAE) & **Global** Research*

Feed Stock Prices

The main feedstock price in dairy food industry is the price of corn and grains, which are used to feed the cow. Moreover, prices of these products have a major impact on the cost of producing raw milk, which consequently have an impact of the prices of end of products. In addition, the price of corns is correlated with the price of crude oil, since corn is also use to make ethanol fuel (alternative fuel). Hence, higher the price of crude oil the higher will it leads to an increase in the demand for ethanol, which requires corn as a feedstock. Consequently, this creates shortage of corns for cow feeding thus leading to an increase in prices.

Chart 06: Average Prices of Feedstock (US$ per ton)

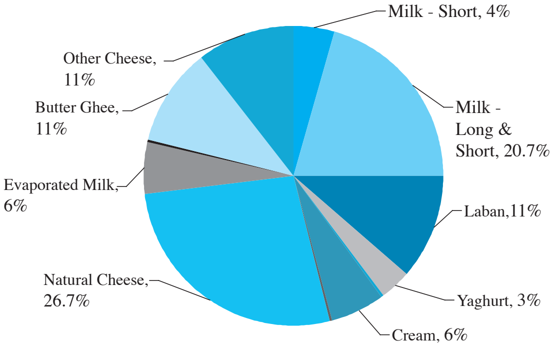


*Source: USDA & **Global** Research*

Regional Dairy Milk & Products Market

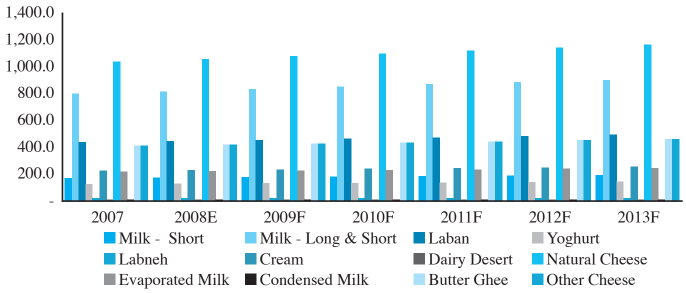
The taste preference and demographic are rigid to change, so we are expecting constant product-wise market composition throughout our forecasted period of 2008-13.

Saudi Arabian Dairy Market Composition



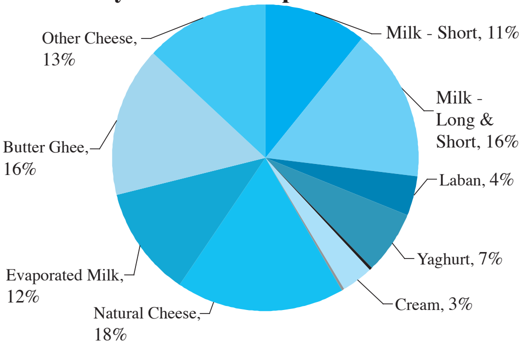
*Source: Almarai Prospectus & **Global** Research*

Saudi Arabia Product Wise Growth (000 tons)



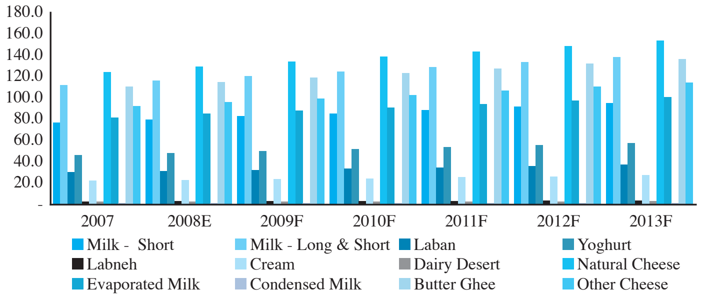
*Source: Almarai Prospectus & **Global** Research*

UAE Dairy Market Composition



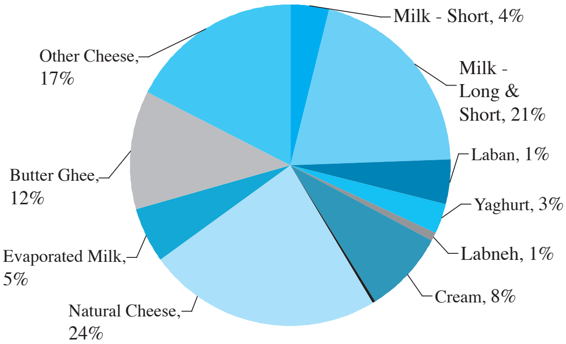
*Source: Almarai Prospectus & **Global** Research*

UAE Product Wise Growth (000 tons)



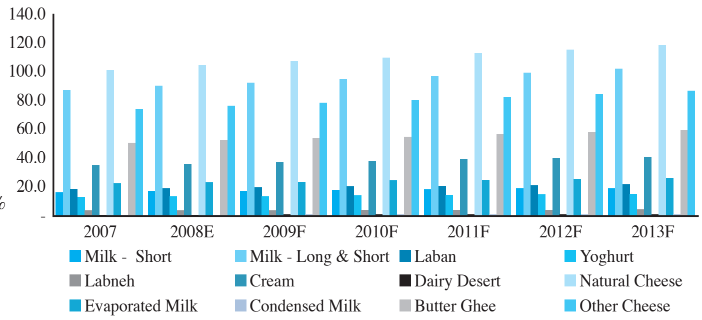
*Source: Almarai Prospectus & **Global** Research*

Kuwait Dairy Market Composition



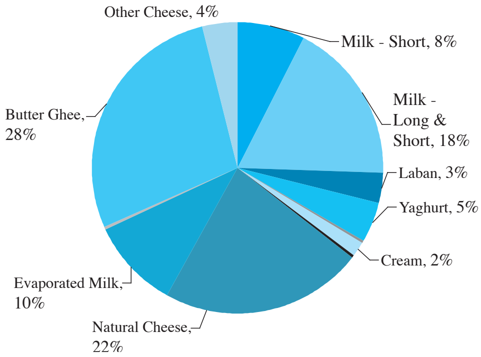
*Source: Almarai Prospectus & **Global** Research*

Kuwait Product Wise Growth (000 tons)



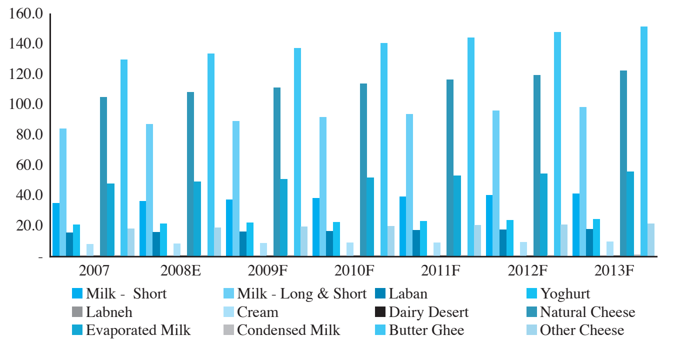
*Source: Almarai Prospectus & **Global** Research*

Oman Dairy Market Composition



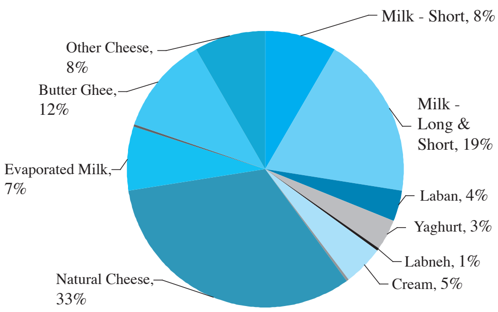
*Source: Almarai Prospectus & **Global** Research*

Oman Product Wise Growth (000 tons)



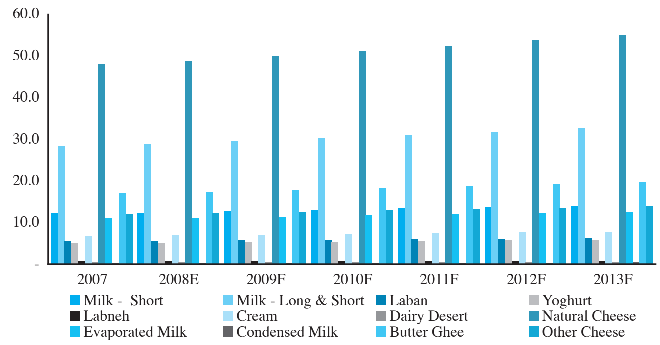
*Source: Almarai Prospectus & **Global** Research*

Bahrain Dairy Market Composition



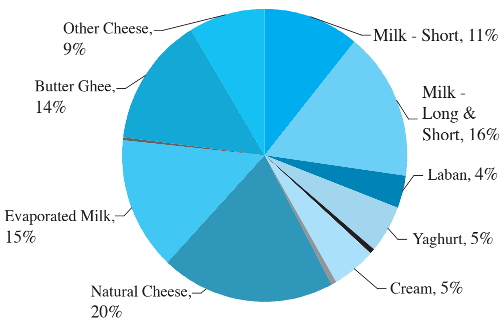
*Source: Almarai Prospectus & **Global** Research*

Bahrain Product Wise Growth (000 tons)



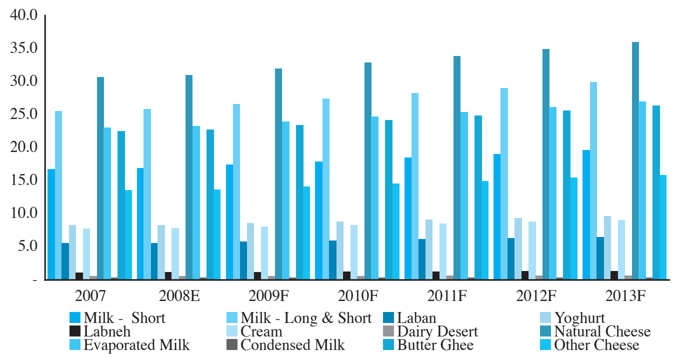
*Source: Almarai Prospectus & **Global** Research*

Qatar Dairy Market Composition



*Source: Almarai Prospectus & **Global** Research*

Qatar Product Wise Growth (000 tons)

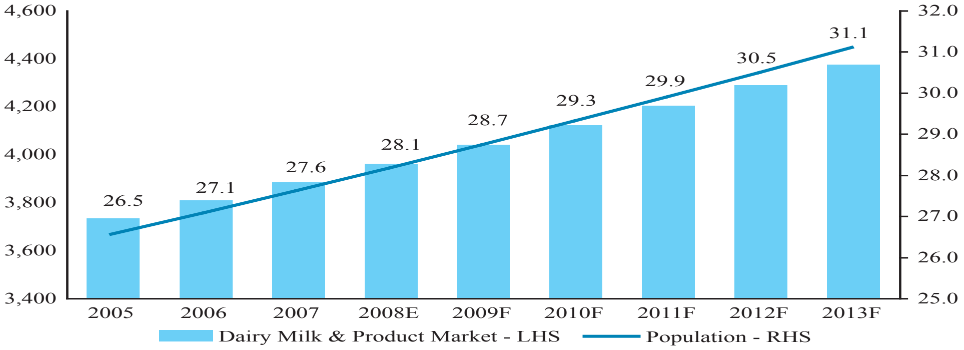


*Source: Almarai Prospectus & **Global** Research*

Saudi Market - Outlook

Saudi Arabian population is expected to increase at a CAGR of 2.0% during 2007-13 to 31.1mn. Consequently, since population is a key growth factor of dairy market, the Saudi Arabian dairy milk and product market is expected to increase to 4.4mn tons in 2013 as compared to the estimated 3.9mn tons in 2008.

Chart 07: Saudi Population (mn) & Dairy Milk & Product Market (000 tons)

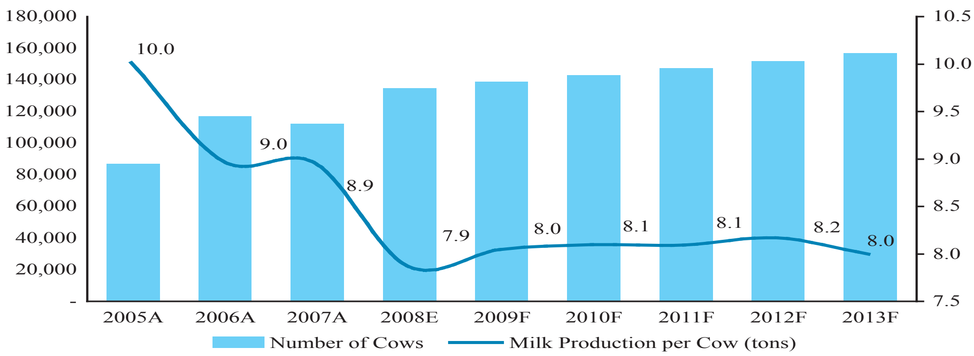


*Source: Almarai Prospectus, CIA Fact Book 2008, Almarai Investors' Presentation 2009 & **Global** Research*

Increase Raw Milk Production

According to 'Almarai prospectus', the number of cows in Saudi Arabia was recorded at 81,710 in 2003 which had increased 112,432 in 2007, as per FAPRI 2008 Agriculture Outlook, which has further jacked up to 135,000 (excluding young stocks) in 2008. Meanwhile, per cow milk production in Saudi Arabia is estimated to drop from10.5tons in 2003, as mentioned in Almarai prospectus, to 8.0tons in 2008 as per our calculation and FAPRI 2008 agriculture outlook, this could be mainly due to increase in number of old cows. The decline in per cow milk production rate, due to the natural factor, will cause the local industry to increase the number of cattle. We believe that the number of cattle in Saudi Arabia is expected to increase at a CAGR of 5.7% to 140,000 – 160,000 in 2013. This will help the local market in two ways (i) increase actual production, (ii) maintain the production per cow rate and (iii) gradual reduction in the dependence on the imported raw milk, which is forecasted to come down at 71.4% in 2013 as compared to 74.1% calculated in 2007 and 77.0% in 2004.

Chart 08: Number of Cows & Production per Cow



*Source: Almarai Prospectus and Investors' Presentation 2009, FAPRI & **Global** Research*

Saudi Dairy Market Composition

A major portion of Saudi dairy market is associated with fat rich dairy products i.e. butter and cheese, which is mainly due to the geographical demographic factor, while the high consumption of milk-long life and laban is mainly due to the weather factor. Since the demographic changes are rigid and responding slowly, so we do not believe a significant change in the consumption pattern, going forward.

Table 05: Saudi Dairy Milk & Product Market Composition

'000' tons	2005	2006	2007	2008E	2009F	2010F	2011F	2012F	2013F
Milk - Short Life	164.5	167.8	171.1	174.5	178.0	181.6	185.2	188.9	192.7
Milk-Long	772.1	787.4	803.1	819.1	835.4	852.2	869.2	886.6	904.3
Laban	421.9	430.2	438.8	447.5	456.5	465.6	474.9	484.4	494.1
Yoghurt	122.0	124.5	126.9	129.5	132.1	134.7	137.4	140.1	143.0
Labneh	18.6	18.9	19.3	19.7	20.1	20.5	20.9	21.3	21.8
Cream	217.6	221.9	226.3	230.8	235.4	240.1	244.9	249.8	254.8
Dairy Desert	10.6	10.8	11.0	11.3	11.5	11.7	11.9	12.2	12.4
Natural Cheese	997.6	1,017.4	1,037.7	1,058.3	1,079.5	1,101.1	1,123.1	1,145.6	1168.5
Evaporated Milk	209.6	213.8	218.0	222.4	226.8	231.3	236.0	240.7	245.5
Condensed Milk	10.6	10.8	11.0	11.3	11.5	11.7	11.9	12.2	12.4
Butter Ghee	395.3	403.2	411.2	419.4	427.8	436.3	445.1	454.0	463.0
Other Cheese	395.3	403.2	411.2	419.4	427.8	436.3	445.1	454.0	463.0
Total	**3,736**	**3,810**	**3,886**	**3,963**	**4,042**	**4,123**	**4,206**	**4,290**	**4375.5**

*Source: Almarai Prospectus and Investors' Presentation 2009 & **Global** Research*

Product - Wise Market Share of Saudi Arabia in GCC Market

Saudi Arabian dairy products are widely used among the GCC member countries and act as a market leader. In some dairy product range KSA has very strong hold i.e. laban and condensed milk.

Table 06: Product Wise Regional Market Share.

	2005	2006	2007	2008E	2009F	2010F	2011F	2012F	2013F
Milk - Short	52.6%	52.3%	52.0%	51.7%	51.4%	51.2%	50.9%	50.7%	50.4%
Milk - Long & Short	70.9%	70.7%	70.4%	70.1%	69.9%	69.8%	69.6%	69.4%	69.2%
Laban	85.6%	85.4%	85.3%	85.1%	85.0%	84.9%	84.8%	84.6%	84.5%
Yoghurt	58.1%	57.7%	57.4%	57.1%	56.8%	56.6%	56.3%	56.1%	55.8%
Labneh	67.4%	67.2%	66.9%	66.6%	66.4%	66.2%	66.0%	65.8%	65.6%
Cream	74.3%	74.1%	73.8%	73.6%	73.4%	73.2%	73.1%	72.9%	72.8%
Dairy Desert	68.1%	67.9%	67.6%	67.3%	67.1%	66.8%	66.6%	66.4%	66.1%
Natural Cheese	72.2%	71.9%	71.7%	71.4%	71.3%	71.1%	70.9%	70.8%	70.6%
Evaporated Milk	54.5%	54.2%	53.9%	53.6%	53.4%	53.1%	52.9%	52.6%	52.4%
Condensed Milk	74.0%	73.8%	73.6%	73.3%	73.2%	73.0%	72.8%	72.6%	72.5%
Butter Ghee	56.1%	55.7%	55.4%	55.1%	54.9%	54.7%	54.4%	54.2%	54.0%
Other Cheese	66.8%	66.4%	66.1%	65.8%	65.6%	65.4%	65.1%	64.9%	64.7%
Total Regional Share	**67.7%**	**67.4%**	**67.1%**	**66.8%**	**66.6%**	**66.4%**	**66.2%**	**66.0%**	**65.8%**

*Source: Almarai Prospectus and Investors' Presentation 2009 & **Global** Research*

The domination of Saudi Arabian products in regional market is expected to prevail in future, which is mainly due to the presence of largest producer in Saudi Arabia i.e. SADAFCO, Almarai NADEC, Al Safi and so on.

SADAFCO Competitors' Profile

We have identified the following potential competitors in the local and regional market.

1 Almarai Company (Almarai)

2 Nestle

3 Al Safi Danone Company (Alsafi)

4 National Agricultural Development Company (NADEC)

5 Al Othman Dairy (NADA)

6 Al Rabie Food Company (Alrabie)

Almarai Company (Almarai)

Almarai Company (Almarai) was converted in to a Saudi Joint Stock Company in August 2005. However, the origins of the Company date back to 1977, when HH Prince Sultan bin Mohammed bin Saud Al-Kabeer recognized the potential to transform traditional dairy farming in Saudi Arabia to meet the needs of a rapidly growing country. In the same context, HH Prince Al Kabeer developed a number of agricultural projects which began with the processing of fresh milk and laban and soon thereafter, expanded into dairy farms, fresh processing plants and cheese processing plants. In 1991, the 'restructuring and reinvestment' phase started with the establishment of Almarai Company Trading Limited. Moreover, during that time the Almarai brand had already achieved market leadership and was well positioned to benefit from the economic upturn in the region during that period. Recognizing the long-term strategic competitive advantages that would accrue to low cost fresh dairy producers, the Company undertook a major investment program involving a total capital expenditure in excess of SR 1.1bn in five years from 1993 to 1997. A single large fresh processing plant, CPP, was commissioned with a capacity for both existing and new products for 10 years forward, and allowance for further expansion Four large dairy farms, each with a capacity for 10,000 cattle, were built incorporating the latest technology. Moreover, the Company had built four large dairy farms incorporated with the latest technology, while each dairy farm having a capacity for 10,000 cattle.

The Company markets a range of food and beverage products under the Almarai brand, principally through retail outlets. The product range includes fresh and long-life dairy products, which are made primarily from fresh milk, as well as fruit juices, cheese, butter and some nondairy products. Furthermore, Almarai is an integrated organization spanning the food supply chain from dairy farms through to retail stores.

Nestle

Nestle was founded in 1866 and has headquarter in Vevey, Switzerland. Today the company is the world's leading nutrition, health and wellness company. Nestle has employed around 276,050 people and has factories or operations in almost every country in the world. The existing products of Nestle grow through innovation and renovation while maintaining a balance in geographic activities and product lines. During the recent time period, the company has expanded its operation through various acquisitions.

Nestle started its acquisition process from the first half of the 1990s, when the trade barriers were eased down and world markets developed into more or less integrated trading areas. During the last two decades, the company has made numerous acquisitions that include (i) San Pellegrino in 1997, (ii) Spillers Petfoods in 1998 and (iii) Ralston Purina in 2002. Moreover, the company has made two major acquisitions in North America and merged its US ice cream business into Dreyer's, while announced US$2.6bn acquisition of Chef America, Inc. Furthermore, the company started the year 2003 with the acquisition of Movenpick Ice Cream, which enhanced the company's position as one of the world market leaders in ice cream. In 2006, the company's portfolio had increased with the acquisition of Jenny Craig and Uncle Toby's and by the end of 2007, Novartis Medical Nutrition, Gerber and Henniez were acquired by the company.

Al Safi Danone Company (Alsafi)

Al Safi project was initiated by Royal Prince Mohammad Bin Abdullah Al Faysal in 1979 and he established the farm in Sahbaa valley, Kharj region. The company was basically involved in the entire range of the dairy foods industry, which included rearing cattle and yielding raw milk. In addition, the farm had also established an integrated private factory, which processed and packed fresh milk, long life milk, as well as its various subsidiaries. At present, the company has approximately 3,500 hectares of land and has 1,400 employees. In 2001, the company entered into an agreement with Al-Faisaliah Holding Group and International Danone Group has formed a joint venture between Alsafi and French dairy. The joint-venture has allowed Alsafi to produce 165mn liters of milk per annum.

National Agricultural Development Company (NADEC)

The company was established in 1981 and has been engaged to present the finest and healthiest nutritional products. NADEC is 20% held by the Government, while the balance of equity is in the hands of the local public. This makes the company one of the very few widely held Saudi companies. The company has a contribution to supply around 1,200tons of dried dates per year and 30mn liters of milk. The company has 4 cow farms that contain 24,000 cattle heads. NADEC has aimed to (i) reduce the dependence of Saudi Arabia on imports, (ii) increase dependability on national economy and (iii) encourage the contribution of the agricultural sector in the national product.

Al Othman Dairy (NADA)

NADA has the capability to produce 200,000 liters milk per day and principally engaged in the production of milk, juices, cheese spreads and tomato paste. The company was first established in 1982 in the Eastern Province and has a workforce of 2,000 people.

Al Rabie Food Company (Alrabie)

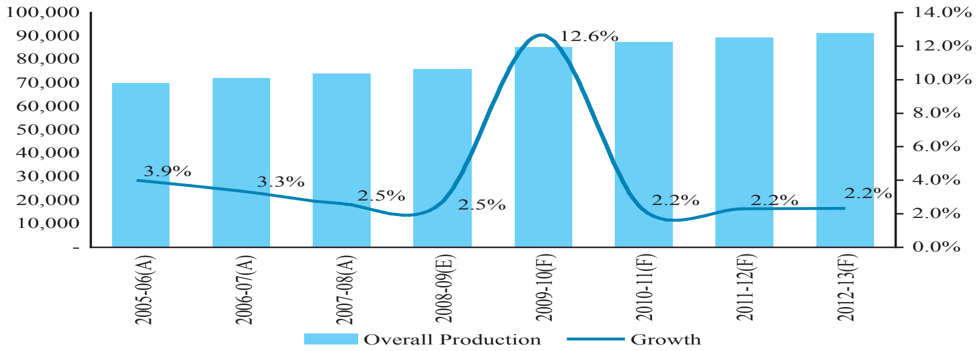
The company was formed in 1980 and was formerly known as 'The Saudi Irish Dairy Company' till 1983. It is the largest juice and beverage manufacturing company in the Middle East region. The company's product includes juices, milk, iced coffee, chocolate drinks, tomato pastes, chick peas and beans. Moreover, the processing facilities of the company are located in Riyadh and have 22 storage areas.

Financial Performance

Production Growth

Over the period of last 3 years the Company has achieved and maintain significant position in the local as well in the regional market. Moreover, SADAFCO remained quite successful to further strengthening its 'Saudia' brand which is now the flagship of the Company. The recent successes achieved by the Company was mainly based on the (i) effective utilization of existing marketing and distribution channels for undisrupted supply of their product, (ii) focus of the management and (iii) timely & effective diversification towards the other foodstuffs. Consequently, the restless efforts of the Company's management has enabled the overall production to increase CAGR of 2.1% during 2005/06-2008/09.

Chart 09: Production Growth (tons)



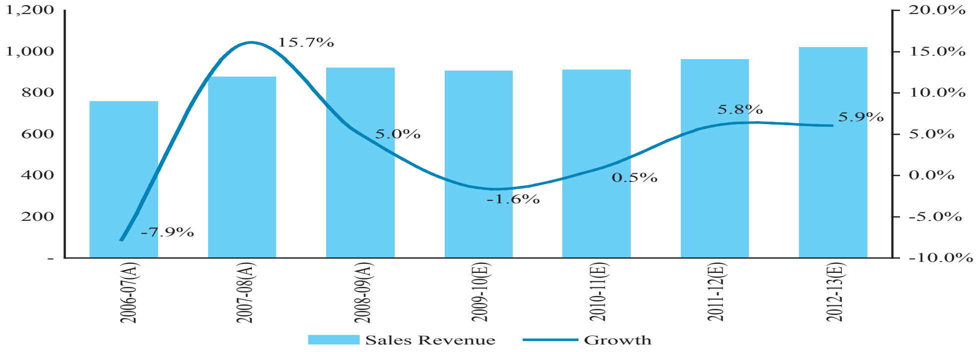
*Source: SADAFCO Prospectus, Company Annual Reports & **Global** Research*

In continuation of maintaining and improving the position in market the Company has recently taken some steps under the umbrella of 'Saudia' brand. SADAFCO has introduced triangle cheese in its production line, which has enabled the Company to further expand its target market from domestic use to schools and picnic. The Company has also made alliances with strong electronic medias to promote its products. Moreover, the expected opening of hyper markets in local and regional market will also provide an opportunity to further increase its market share in local and regional markets. We believe that these recent efforts and opening of new hyper markets will make a positive impact on the Company's overall production, going forward. Based on our forecasts the Company's production is expected to increase at a CAGR of 4.7% during 2008/09-2012/13 to 91,277 tons in 2012/13.

Sales Revenue

The Company's sales revenue has increased at a CAGR of 2.8% during 2005/06-2008/09, which is mainly due to (i) an increase in overall population at a CAGR of 2.2% during 2005-08, (ii) addition of value added products, (iii) flavored milk and (iv)other food stuffs i.e. snacks, hommos and so on.

Chart 10: Sales Revenue (SR mn) Growth



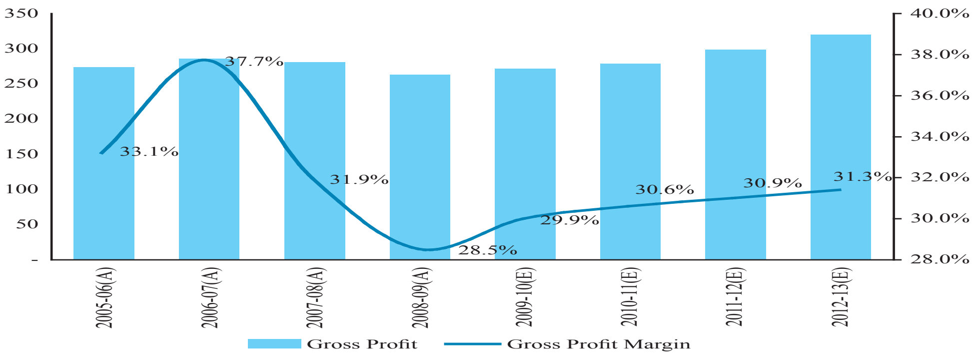
*Source: Company Annual Reports & **Global** Research*

Going forward, based on our expectations, the Company's sales revenue is expected to increase at a CAGR of 2.6% during 2008/09-2012/13 to SR1.0bn in 2012/13. In addition, slower growth in the Company's sales revenue is mainly associated with the lower average prices of products , in future, as compared to the average prices in 2008/09.

Maintaining Gross Profit Margins

Over the period of last 3 years the growth in local and regional population along with the opening of new super and hyper markets has open new avenues. Consequently, the existing players have adopted two strategies (i) streamline marketing and distribution channels to maintain their presence and (ii) increase spending in R&D. Following the industry trend, SADAFCO has also increase spending on the R&D, while keeping undisrupted supply of their products. We believe the increase in R&D expenditure has caused the fluctuating gross profit margins, over the period of last 3 years.

Chart 11: Gross Profit (SR mn) & Gross Margins



*Source: Company Reports & **Global** Research*

We believe that the Company's gross profit margin will stabilize on the back of dilution of R&D, which is mainly due to the reaping of benefit from the cost incurred in past year. Based on our expectations, SADAFCO gross profit margin is expected to show improvement and reach at 31.3% during 2012/13 from 28.5% in 2008/09.

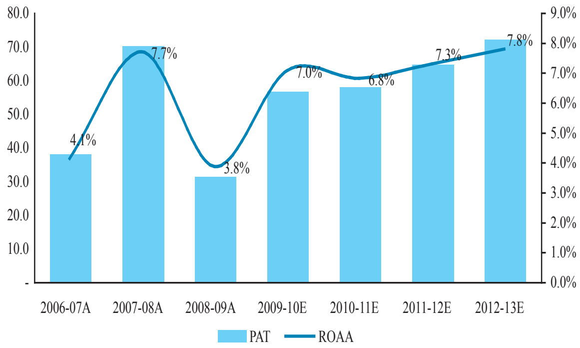
Major Concerns

'Saudia' brand is the key growth factor of the Company because of its strong presence in the regional and local markets. The Company's products' shelve life is another strength of the Company, which has enable SADAFCO to avoid extra wastages. We believe the supply of milk could be a major weakness for the Company as it has no cattle stock and has no local raw milk production. Moreover, the increasing competition in local as well as regional markets is portraying a major threat for the Company. Consequently, there could be pressure on the gross margins of the Company due to increase in expenses to counter the competition. We expect the upcoming super & hyper markets in local and regional markets will give opportunity to the Company to position their products in more effective and competitive manner. We believe this will also help the Company to maintain and improve its existing market share.

Improving Profitability

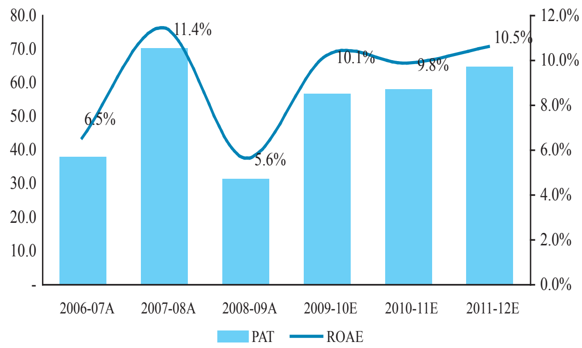
We expect the Company will register, after tax profit of SR52.2mn (translating into EPS of SR1.6) in 2009/10 as compared to SR28.4mn in 2008. The robust growth in the Company's bottom line is mainly due to an expected (i) improvement in gross profit margins to 29.9% in 2009/10 from 28.5% in 2008/09 and (ii) reduction in write-off/provision during 2009/10 to SR13.1mn from SR26.3mn in 2008/09. Moreover, based on these expectations, the Company's profitability is expected to increase at a CAGR of 23.7% during 2008/09-12/13.

Chart 12: Profitability (SR mn) & ROAA



*Source: Company Reports, **Global** Research*

Chart 13: Profitability (SR mn) & ROAE



*Source: Company Reports, **Global** Research*

Based on our calculations, the Company's profitability margin is expected to remain in the range of 5.5%-6.5% during 2009/10-2012/13. On the other hand, SADAFCO is expected to maintain its ROAA and ROAE at an average level of 7.2% and 10.5% during 2009/10-20012/13 respectively.

Valuation and Recommendation

Our DCF model is based on a 4-year (FY2009/10-FY2012/13) explicit forecast period for the Free Cash Flow (FCF). The terminal value is estimated using the constant growth rate. The forecasted cash flow and the terminal value is then discounted at the company Weighted Average Cost of Capital (WACC). In our DCF valuation, we have used the following assumptions:

1. Risk Free Rate (RFR) of 5.5%.
2. Equity risk premium of 5.75%.
3. Beta of 1.2.
4. A terminal growth rate of 4.0%.
5. A target cost of debt of 7.0%.

Using the above assumptions, we have derived a cost of equity for the Company at 12.4%, by using Capital Assets Pricing Model, and a WACC of 12.4%, resulting in a fair value of SR33.8 per share.

Table 07: DCF Calculations

(SR Mn)	**2009 (E)**	**2010 (E)**	**2011 (E)**	**2012 (E)**
FCF	73.5	76.7	78.4	83.1
Discounted Cash Flow	69.4	64.3	58.5	55.2
Terminal Value	1,029			
Primary Value	247			
Terminal Value (discounted)	683			
Total Enterprise Value	**931**			
Debt	-			
Add: Investments & cash equivalents	143.2			
Total Equity Value	**1097.7**			
Shares Outstanding (‘000)	32,500			
Fair Value Per Share	**33.8**			

*Source: **Global** Research*

Sensitivity Analysis

A sensitivity analysis for different estimated long-run future growth rates and weighted cost of capital is shown in table below. The table provides estimated fair values for SADAFCO stock based on a range of varying inputs. The shaded area at the center shows the most probable range of alternatives.

Table 08: Sensitivity Analysis

		Terminal Growth Rates				
		2.00%	3.00%	**4.00%**	5.00%	6.00%
WACC	10.40%	35.0	38.2	42.4	48.2	56.6
	11.40%	31.9	34.4	37.5	41.6	47.3
	12.40%	29.4	31.4	**33.8**	36.8	40.9
	13.40%	27.4	28.9	30.8	33.2	36.2
	14.40%	25.6	26.9	28.5	30.3	32.6

*Source: **Global** Research*

By employing DCF base valuation methodology, we have arrived at a fair value of SR33.8, which is 5.4% lower than the current market of SR35.7 (as on 30th August 2009). We, therefore, initiate our coverage on SADAFCO with a ‘**HOLD**’ recommendation.

Balance Sheet

	Saudia Dairy & Foodstuff Company - SADAFCO						
SR 000	2006/07	2007/08	2008/09	2009/10E	2010/11E	2011/12E	2012/13E
Current Assets							
Cash & Equivalent	104,492	82,831	49,870	73,729	100,518	112,419	122,807
Trading Investments	36,205	27,004	-	-	-	-	-
Account R/A	101,393	126,749	155,042	158,760	159,588	164,074	173,709
Deposits & Prepayments	15,062	14,788	21,943	25,425	25,333	26,658	28,063
Inventories	109,861	188,761	158,824	162,087	164,662	173,277	182,410
Dues From Sister Companies	-	-	-	-	-	-	-
Other Current Assets	-	-	-	-	-	-	-
Total Current Assets	**367,013**	**440,133**	**385,679**	**420,002**	**450,100**	**476,427**	**506,990**
Non Current & Fixed Assets							
Investments	35,133	30,998	23,868	27,448	30,193	33,212	36,534
Available - For - Sales Instruments	-	24,984	63,175	69,493	72,967	76,615	80,446
Dairy Livestock	16,057	-	-	-	-	-	-
Intangible Assets	2,872	1,417	709	744	782	821	862
Property, Plant & Equipment	311,224	256,772	232,341	233,099	233,890	234,714	235,573
Assets Relating to Subsidiaries	-	9,627	13,559	14,237	14,949	15,696	16,481
Total Non Current & Fixed Assets	**365,286**	**323,798**	**333,652**	**345,021**	**352,780**	**361,059**	**369,896**
Total Assets	**732,299**	**763,931**	**719,331**	**765,024**	**802,881**	**837,486**	**876,886**
Liabilities & Equity							
Current Liabilities							
Short - Term Bank Debts	20,904	6,281	1,243	1,740	2,088	2,297	2,527
Account P/A	82,566	88,431	41,529	44,494	47,499	53,316	59,634
P/A to Affiliates & Shareholders	11,862	7,322	8,892	9,781	10,759	11,835	13,019
Accruals & Other Liabilities	48,812	61,116	70,789	82,632	85,497	89,971	94,713
Accrued Zakat	13,152	14,571	13,817	15,199	16,719	18,390	20,229
Unpaid Dividend	-	293	726	762	800	840	882
Current Portion of Long-Term Debt	574	-	-	-	-	-	-
Total Current Liabilities	177,870	178,014	136,996	154,609	163,363	176,650	191,005
Non-Current Liabilities							
Employees> End Of Service Benefits	61,157	60,549	62,838	63,466	64,101	64,742	65,389
Long - Term Bank Debt	934	47	-	-	-	-	-
Liabilities Relating to Subsidiary Held For Disposal	-	10,042	16,872	18,559	20,415	22,457	24,702
Tax Provision	-	-	-	-	-	-	-
Total Non-Current Liabilities	**62,091**	**70,638**	**79,710**	**82,026**	**84,516**	**87,199**	**90,092**
Total Liabilities	**239,961**	**248,652**	**216,706**	**236,635**	**247,879**	**263,848**	**281,096**
Shareholders' Equity							
Capital	325,000	325,000	325,000	325,000	325,000	325,000	325,001
Statutory Reserves	111,743	117,590	120,421	125,669	131,011	136,991	143,675
Voluntary Reserves	53,437	26,784	78,365	60,970	66,777	87,831	99,412
Dividend Declared	-	-	(48,750)	(26,106)	(26,572)	(41,645)	(46,544)
Unrealized Gain On AFS Investment	-	492	4,761	5,237	5,761	6,337	6,971
Foreign Currency Translation Adjustments	(8,840)	(6,984)	(1,979)	(1,999)	(2,019)	(2,039)	(2,059)
Retained Earnings	6,599	51,977	24,476	38,956	53,720	58,515	64,039
Parent Shareholders' Equity	**487,939**	**514,859**	**502,294**	**527,727**	**553,678**	**570,990**	**590,495**
Minority Interest	4,399	420	331	662	1,324	2,648	5,296
Total Shareholders' Equity	**492,338**	**515,279**	**502,625**	**528,389**	**555,002**	**573,638**	**595,789**
Total Liabilities & Shareholders' Equity	**732,299**	**763,931**	**719,331**	**765,024**	**802,881**	**837,486**	**876,886**

*Source: Company Annual Reports & **Global** Research*

Income Statement

	Saudia Dairy & Foodstuff Company - SADAFCO						
SR 000	**2006/07**	**2007/08**	**2008/09**	**2009/10E**	**2010/11E**	**2011/12E**	**2012/13E**
Sale Revenues	759,373	878,229	922,274	907,203	911,933	965,139	1,021,819
Cost of Sales	(473,372)	(597,998)	(659,687)	(635,634)	(633,314)	(666,449)	(701,578)
Gross Profit	**286,001**	**280,231**	**262,587**	**271,568**	**278,619**	**298,690**	**320,241**
Selling & Distribution Expenses	(186,144)	(168,225)	(154,664)	(150,076)	(152,930)	(161,852)	(171,358)
General & Administrative Expenses	(54,480)	(52,401)	(44,729)	(46,331)	(45,597)	(48,257)	(51,091)
Operating Income	**45,377**	**59,605**	**63,194**	**75,162**	**80,093**	**88,581**	**97,793**
Realized & Unrealized Gain On Trading Investments	6,625	11,352	(2,354)	602	626	652	678
Investment Income	3,045	2,987	3,060	1,339	526	289	159
Other (Expenses) Income	66	(113)	111	2,566	466	485	505
Gain On Sale of Land	-	15,355	2,662	-	-	-	-
Financial Charges	(5,225)	(1,036)	(1,456)	(1,578)	(1,136)	(1,022)	(920)
Loss On Sale of Investment	-	(466)	-	-	-	-	-
Write Off / Provision Against Affiliate R/A	(6,032)	(9,953)	(26,296)	(13,148)	(13,805)	(14,496)	(15,220)
Income Before Minority Interest & Zakat	**43,856**	**77,731**	**38,921**	**64,943**	**66,770**	**74,489**	**82,994**
Zakat Charges	(5,800)	(7,500)	(7,500)	(8,116)	(8,680)	(9,684)	(10,789)
Income Before Minority Interest & Continuing Operation	**38,056**	**70,231**	**31,421**	**56,827**	**58,090**	**64,805**	**72,205**
Net Income / (Loss) From Discontinuing Operation	(7,233)	(12,948)	(3,021)	(4,614)	(4,946)	(5,312)	(5,714)
Net Income For the Year	**30,823**	**57,283**	**28,400**	**52,213**	**53,143**	**59,493**	**66,491**
P&L Appropriation A/C							
Opening Balance	(23,159)	6,599	51,977	24,476	38,956	53,720	58,515
Transfer to Statutory Reserves	(3,306)	(5,847)	(2,831)	(5,248)	(5,342)	(5,980)	(6,683)
Transfer to Volunteer Reserves	-	(5,847)	(2,831)	(5,248)	(5,342)	(5,980)	(6,683)
Dividend Declared	-	-	(48,750)	(26,106)	(26,572)	(41,645)	(46,544)
Bonus Issue	-	-	-	-	-	-	-
Board of Director Remuneration	-	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)
Ending Balance	6,599	51,977	24,476	38,956	53,720	58,515	64,039

*Source: Company Annual Reports & **Global** Research*

Cash Flow Statement

	Saudia Dairy & Foodstuff Company - SADAFCO						
SR 000	**2006/07**	**2007/08**	**2008/09**	**2009/10E**	**2010/11E**	**2011/12E**	**2012/13E**
OPERATING ACTIVITIES							
Profit for the year	30,823	57,283	28,400	52,213	53,143	59,493	66,491
Depreciation & Amortization	81,504	68,582	37,838	39,527	41,206	42,958	44,783
Realized & Unrealized Gain On Trading Investments	(6,625)	(11,352)	2,354	(602)	(626)	(652)	(678)
Investment Income	(3,045)	(2,987)	(3,060)	(1,339)	(526)	(289)	(159)
Other (Expenses) Income	(66)	113	(111)	(2,566)	(466)	(485)	(505)
Gain On Sale of Land	-	(15,355)	(2,662)	-	-	-	-
Financial Charges	5,225	1,036	1,456	1,578	1,136	1,022	920
Loss On Sale of Investment	-	466	-	-	-	-	-
Write Off / Provision Against Affiliate R/A	6,032	9,953	26,296	13,148	13,805	14,496	15,220
Other Operating Activities	7,233	12,948	3,021	4,614	4,946	5,312	5,714
Change in Working Capital	67,091	(92,005)	(41,669)	7,253	6,033	285	(3,058)
Net Cash from operating activities	**188,172**	**28,682**	**51,863**	**113,826**	**118,652**	**122,139**	**128,729**
INVESTING ACTIVITIES							
Plant & Property	(46,176)	(14,130)	(13,407)	(40,285)	(41,997)	(43,782)	(45,643)
Trading Investments	(36,205)	9,201	27,004	-	-	-	-
Investments	(3,060)	4,135	7,130	(3,580)	(2,745)	(3,019)	(3,321)
Available - For - Sales Instruments	-	(24,984)	(38,191)	(6,318)	(3,475)	(3,648)	(3,831)
Dairy Livestock	(16,057)	16,057	-	-	-	-	-
Intangible Assets	2,219	1,455	708	(35)	(37)	(39)	(41)
Assets Relating to Subsidiaries	-	(9,627)	(3,932)	(678)	(712)	(747)	(785)
Other Investment Activities	16,221	(23,938)	(16,564)	(12,799)	(16,630)	(17,826)	(18,979)
Cash Flows from Investing Activities	**(83,058)**	**(41,831)**	**(37,252)**	**(63,695)**	**(65,595)**	**(69,062)**	**(72,600)**
FINANCING ACTIVITIES							
Short - Term Bank Debts	(115,690)	(14,623)	(5,038)	497	348	209	230
Employees> End Of Service Benefits	61,157	(608)	2,289	628	635	641	647
Long - Term Bank Debt	(794)	(887)	(47)	-	-	-	-
Liabilities Relating to Subsidiary Held For Disposal	-	10,042	6,830	1,687	1,856	2,042	2,246
Dividend Paid	-	-	(48,750)	(26,106)	(26,572)	(41,645)	(46,544)
Other Financing Activities	(5,225)	(2,436)	(2,856)	(2,978)	(2,536)	(2,422)	(2,320)
Cash Flows from Financing Activities	(60,552)	(8,512)	(47,572)	(26,271)	(26,269)	(41,176)	(45,741)
Increase/Decrease in Cash	**44,562**	**(21,661)**	**(32,961)**	**23,859**	**26,788**	**11,902**	**10,388**
Cash Beginning Balance	59,930	104,492	82,831	49,870	73,729	100,518	112,419
Cash Ending Balance	**104,492**	**82,831**	**49,870**	**73,729**	**100,518**	**112,419**	**122,807**

*Source: Company Annual Reports & **Global** Research*

Fact Sheet

	Saudia Dairy & Foodstuff Company - SADAFCO						
	2006/07	**2007/08**	**2008/09**	**2009/10E**	**2010/11E**	**2011/12E**	**2012/13E**
Liquidity Ratios							
Current Ratio	2.06	2.47	2.82	2.72	2.76	2.70	2.65
Cash Ratio	0.59	0.47	0.36	0.48	0.62	0.64	0.64
Profitability Ratios							
Gross Margin	37.7%	31.9%	28.5%	29.9%	30.6%	30.9%	31.3%
EBITDA Margin	17.2%	16.8%	8.5%	11.7%	12.0%	12.3%	12.6%
EBIT Margin	6.0%	6.8%	6.9%	8.3%	8.8%	9.2%	9.6%
Net Profit Margin	4.1%	6.5%	3.1%	5.8%	5.8%	6.2%	6.5%
ROAE	6.5%	11.4%	5.6%	10.1%	9.8%	10.5%	11.4%
ROAA	4.1%	7.7%	3.8%	7.0%	6.8%	7.3%	7.8%
Leverage Ratios							
Debt to Equity	-	-	-	-	-	-	-
Debt to Asset	39.9%	7.0%	2.5%	0.5%	0.7%	0.9%	1.0%
Liabilities/Total Assets (x)	0.40	0.33	0.33	0.30	0.31	0.31	0.32
Growth Rates							
Revenue Growth Rate	-7.9%	15.7%	5.0%	-1.6%	0.5%	5.8%	5.9%
Net Income Growth Rate	N/A	85.8%	-50.4%	83.8%	1.8%	11.9%	11.8%
Equity Growth Rate	6.6%	4.7%	-2.5%	5.1%	5.0%	3.4%	3.9%
Total Asset Growth Rate	-4.9%	4.3%	-5.8%	6.4%	4.9%	4.3%	4.7%
Ratios Use for Valuation							
Number of Shares (mn)	32.5	32.5	32.5	32.5	32.5	32.5	32.5
Par value per share (SR)	10	10	10	10	10	10	10
BV per share (SR)	15.1	15.9	15.5	16.3	17.1	17.7	18.3
EPS (SR)	0.9	1.8	0.9	1.6	1.6	1.8	2.0
Market Price	33.25	33.00	33.00	35.7	35.7	35.7	35.7
Market Cap in (SR Mn)	1,081	1,073	1,073	1,160	1,160	1,160	1,160
EV (SR Mn)	976.1	989.7	1,022.6	1,086.5	1,059.7	1,047.8	1,037.4
EV/EBITDA	7.48	6.72	13.07	10.25	9.71	8.84	8.06
P/E Ratio	35.06	18.72	37.76	22.22	21.83	19.50	17.45
P/BV Ratio	2.19	2.08	2.13	2.20	2.09	2.02	1.95

** Historical P/E & P/B multiples pertain to respective year-end prices, while those for future years are based on closing price as at 30th August 2009.*

*Source: Company Annual Reports & **Global** Research*

The following is a comprehensive list of disclosures which may or may not apply to all our researches. Only the relevant disclosures which apply to this particular research has been mentioned in the table below under the heading of disclosure.

Disclosure Checklist

Company	Recommendation	Tickers	Price (SR)	Disclosure
Saudi Dairy & Foodstuff Company - SADAFCO	Hold	SADAFCO AB (Bloomberg) 2270.SE (Reuters)	SR35.7	1,10

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Global Research

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