المتحدة للأوراق المالية ش.م.م
UNITED SECURITIES LLC.

Agri & Food Products

Result Flash – Almarai Company

Valuation Summary(TTM)		
Currency	SAR	
Price(SAR)	208.25	
PER (x)	19.1	
P/B (x)	4.0	
P/S (x)	3.6	
EV/Sales(x)	4.3	
EV/EBITDA(x)	13.4	
Div Yield(%)	1.9	
Free Float(%)	36	
Shares O/S(m)	115.0	
Beta	0.7	
	SAR	USD
Market Cap	23,690	6,317
EV	28,654	7,641

Price Performance (%)	1M	3M	12M
2280.SE	3.2%	6.4%	26.0%
.TASI	1.8%	2.1%	2.4%

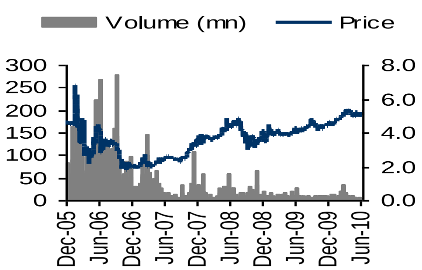
Average Daily Turnover (m)	1D	10D	3M
Volume	0.25	0.15	0.06

52 Week	High	Low
Price	220.0	153.5

Major Shareholders

Savola Group (29.9%)
Prince Sultan M.S.Al Saud (28.6%)

Price Chart



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Data as of Oct 9, 2010

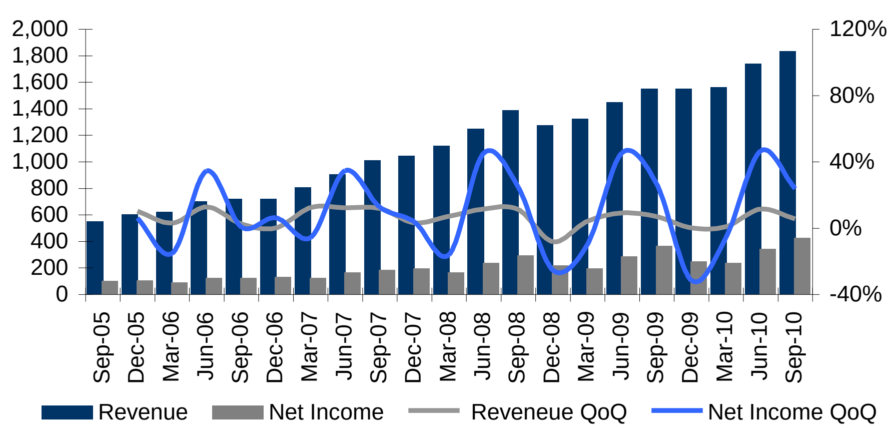
Almarai Company reported its unaudited 9M10 results last week and the results were in line with our expectations. It reported revenues of SAR 1.83 billion in 3Q10 from SAR 1.54 billion in 3Q09, a growth rate of 19% YoY. The growth in revenue is attributed to strong growth in Bakery segment by 32% and continued growth of 11% in Dairy segment, on a YoY basis. Al Marai's 3Q10 results had additional revenue stream from poultry business, thereby adding SAR 50 million in revenue, which was not reported in 3Q08. The reported operating income of SAR 0.43 billion in 3Q10, witnessed a growth of 17% with improvement in EBIT margins to 26%. Al Marai's net income witnessed a lower growth of 17% Vs 24% in 3Q09, as 3Q09 results was a rebound from recessionary cycle of 3Q08. It witnessed improvement in net margins to 23% in 3Q10, the highest over the last four quarters. We expect Al Marai to continue its growth path owing to additional revenue streams from new business and further acquisitions. It currently trades at a PER of 19.1x and EV/EBITDA of 13.4x, its 12M earnings and in our view, it looks moderate. We retain our positive view owing to stable earnings growth.

Fig in SAR (Mn)	9M09	9M10	3Q09	4Q09	1Q10	2Q10	3Q10
Revenue	4,321	5,132	1,547	1,548	1,559	1,739	1,834
YoY		19%	11%	21%	18%	20%	19%
Operating Income	998	1,140	414	281	278	388	475
YoY		14%	26%	6%	12%	16%	15%
Operating Margins	23%	22%	27%	18%	18%	22%	26%
Net Income	848	1,002	363	249	234	343	425
YoY		18%	24%	14%	19%	19%	17%
Net Margins	20%	20%	23%	16%	15%	20%	23%
EPS	7.37	8.71	3.16	2.16	2.04	2.98	3.69
YoY		118%	24%	14%	19%	19%	17%

Source: Company data and United Securities Research

We expect the GCC food and agri-product industry to continue its trend and expect Almarai to leverage on the strong growth. Al Marai's Board of directors has recommended an increase in the share capital from SAR 1.15 billion to SAR 2.3 billion (100%),which is already reflected in the share price.

Revenue and Net Profit growth for last 20 quarters (Figures in SAR Million)

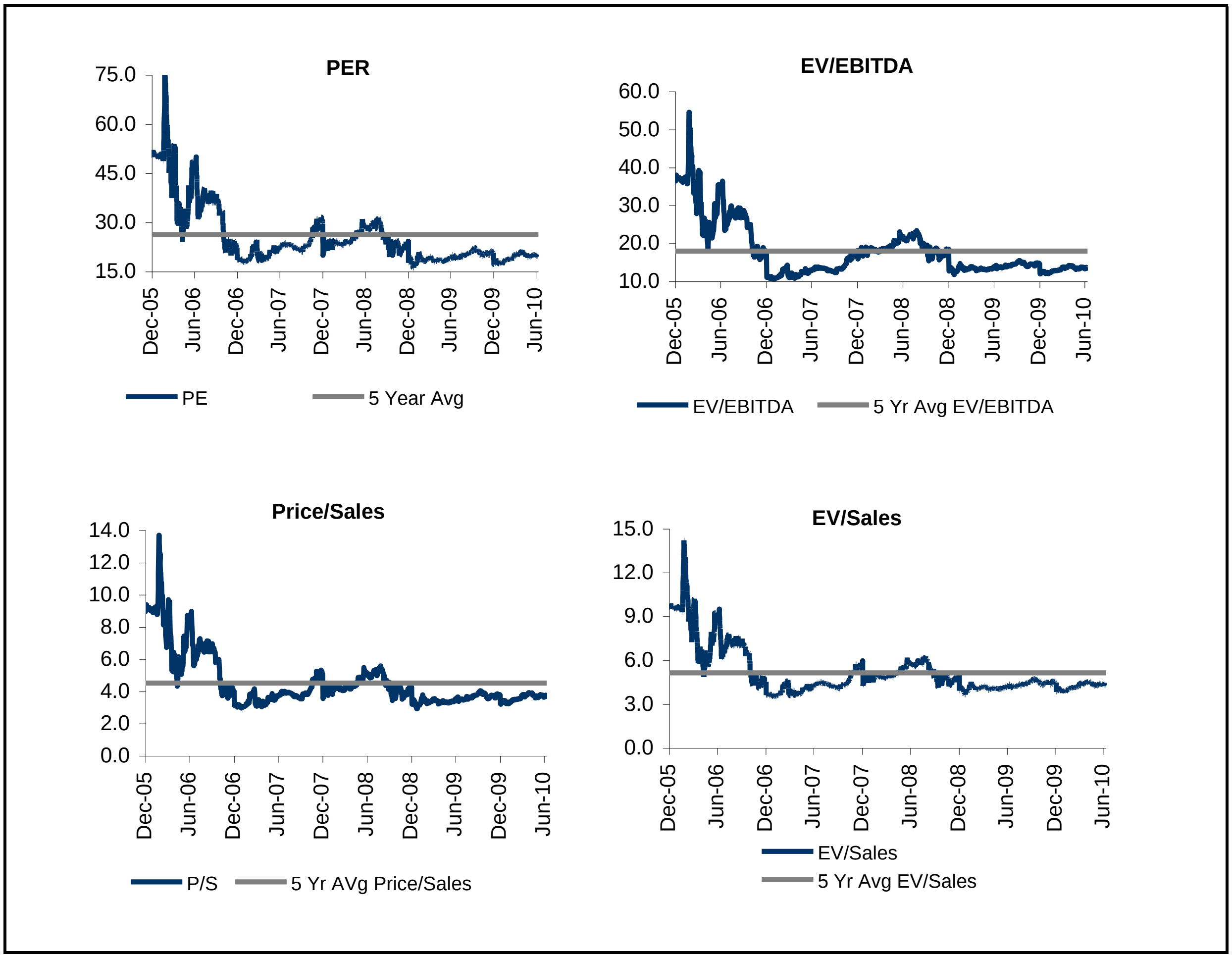


Source: Company data and United Securities Research

Valuation Highlights

- Almarai currently trades at a PER of 19.1x its TTM earnings, which is at c.5% discount to TTM average PER of 20.1x.
- We expect valuations to smoothen considering the impact of 4Q earnings in last five years, hence we suggest some accumulation strategies on further dips.
- Almarai trades lower to some of the new age food companies in the region and believed to be at a high premium to global peers.

Price multiples trend chart



Source: US Research and Thomson Reuters

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