Analyst Comment

NBK CAPITAL

December 05, 2010

ALMARAI (2280.SE)

12-Month Fair Value: SAR 219
Last Close (04 December 2010): KD 219.75
Recommendation: Hold

- Almarai announced the launch of an infant formula product, co-branded Almarai and Enfamil, into the Saudi Arabian market today. The new product will temporarily consist of imports from the United States and the Netherlands until the manufacturing facility in Saudi Arabia is completed by the end of 2011. By then, local production will replace imports.

- In our forecasts for Almarai, we have incorporated that the production of infant formula will begin in the second half of 2011 by International Pediatric Nutrition Company (the 50:50 JV between Almarai and Mead Johnson). Therefore, this earlier-than-expected launch of the infant formula product does not have a major impact on our forecasts for FY2010 and FY2011. As for the medium-to-long term, we feel that our forecasts already fully reflect the positive impacts of today's news on Almarai.

- Overall, we view the early launch of the infant formula in a positive light as it will familiarize the market with the new brand before the manufacturing facility is completed. In addition, this initial step further increases confidence that Almarai's plans to diversify into the infant formula business is materializing and moving forward as scheduled.

- We maintain our fair value for Almarai at SAR 219 per share, a similar level to yesterday's closing price. Our recommendation for the stock remains a "Hold".

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Related Research

- Almarai Analyst Comment - 06 October 2010
- Almarai Analyst Comment - 12 July 2010
- Almarai Update - 20 May 2010

RISK AND RECOMMENDATION GUIDE

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