

Almarai Company

Sector : Food Retail

STRONG BUY

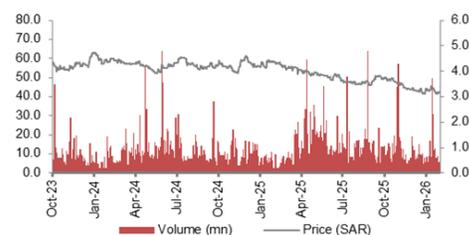
15 February 2026

- Revenue grew 5.2% YoY in 2025, in line with our forecast, supported by mid-single-digit growth across core segments.
- Gross margin declined by 55bps due to higher transportation costs, while EBITDA increased modestly by 2.4% YoY.
- Net profit reached SAR 2.45bn (+6.2% YoY), 4.2% below our forecast.
- We retain our 2026 revenue estimate but lower profit expectations due to continued margin pressure. We revise our target price to SAR 54.83 per share. The recent share price decline presents a buying opportunity.

Target price (SAR) 54.83

Current price (SAR) 42.42

Return 29.3%



Exchange Saudi Arabia
Index weight (%) 1.7%

(mn)	SAR	USD
Market Cap	42,420	11,312
Enterprise value	57,745	15,591

Major shareholders

Sultan Holding Co	23.7%
Saudi Agricultural a	16.3%
ABDUL QADER AL MUHAI	5.2%
Others	54.8%

Valuation Summary

PER TTM (x)	17.6
P/Book (x)	2.1
EV/EBITDA (x)	10.1
Dividend Yield (%)	2.7
Free Float (%)	55%
Shares O/S (mn)	1,000
YTD Return (%)	-2%
Beta	0.7

Key ratios	2023	2024	2025
EPS (SAR)	2.05	2.31	2.46
BVPS (SAR)	17.81	18.79	20.53
DPS (SAR)	1.00	1.00	1.15
Payout ratio (%)	49%	43%	47%

Price performance (%)	1M	3M	12M
Almarai	-4%	-10%	-27%
Tadawul All Share Index	4%	1%	-9%

52 week	High	Low	CTL*
Price (SAR)	58.10	41.20	3.0

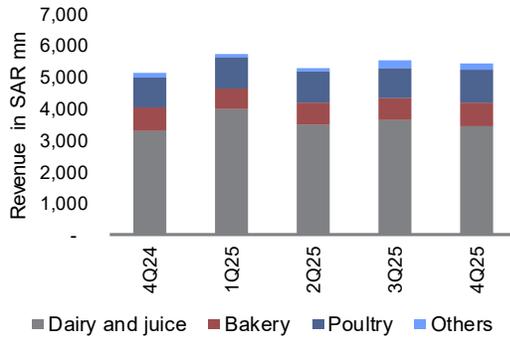
* CTL is % change in CMP to 52w k low

Consolidated revenue for Almarai increased 5.2% YoY in 2025 and 5.8% YoY in 4Q25, in line with our expectations. Growth was primarily driven by modest volume expansion, partially offset by softer pricing. The core KSA market grew 5% during the year, while Egypt expanded by 10%. Other geographies delivered single-digit growth: UAE (+9% YoY), Jordan (+4% YoY), and Kuwait (+7% YoY). Qatar recorded robust growth of 33%, albeit from a smaller base. By segment, the food category grew 9%, while other segments recorded mid-to low-single-digit gains. The recently acquired water business contributed SAR 169mn in revenue during the year.

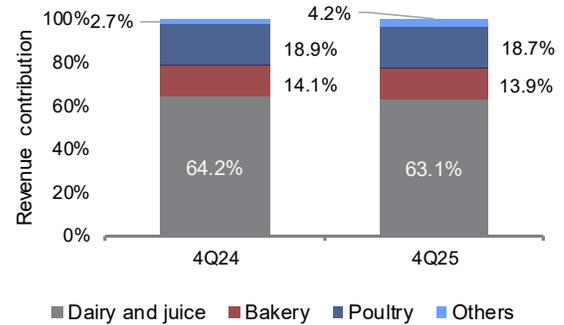
Margins remained under pressure due to elevated transportation costs. Management highlighted an additional impact of approximately SAR 70mn in 2026 following the fuel price hike announced earlier this year. Gross margin contracted by 55bps in 2025, resulting in gross profit growth of 3.4%. Strong cost discipline at the operating level helped partially offset margin compression. EBITDA rose 2.4% YoY, with EBITDA margin declining 69bps YoY. Finance costs decreased 12.6% YoY despite higher borrowings, supported by lower interest rates and increased capitalization of interest related to assets under construction. Capex remained elevated at 20% of revenue, totaling SAR 4.38bn for the year. Net profit for 2025 stood at SAR 2.45bn, up 6.2% YoY but 4.2% below our forecast, primarily due to lower-than-expected margins. The company increased its dividend to SAR 1.15 per share (vs. SAR 1.00 in 2024).

Valuation: Almarai continues to demonstrate decent volume growth; however, pricing pressure and elevated operating costs remain headwinds to profitability. We expect some moderation in commodity prices and selective price increases across certain categories to support margins in 2026. New product launches and poultry segment expansion are expected to drive revenue growth by 5.5% in 2026. We conservatively forecast net profit to remain broadly flat next year due to ongoing margin pressures. Based on revised profit estimates, we derive a target price of SAR 54.83 per share. The stock has declined significantly in recent months, and we believe current levels largely reflect prevailing risks. Our target implies 29.3% upside from current levels; therefore, we provide a STRONG BUY rating. The stock trades at 17x 2026e PE which is at the lower end of the valuation band. Almarai remains our preferred FMCG exposure, supported by strong brands and an extensive distribution network.

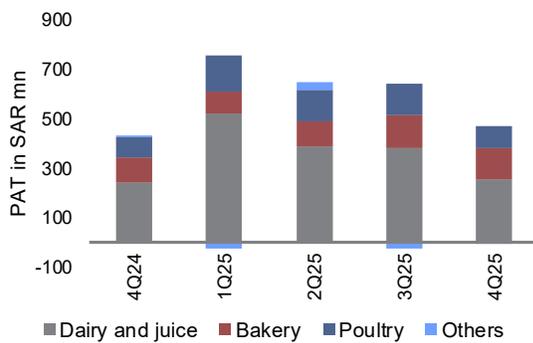
Moderate growth across all segments



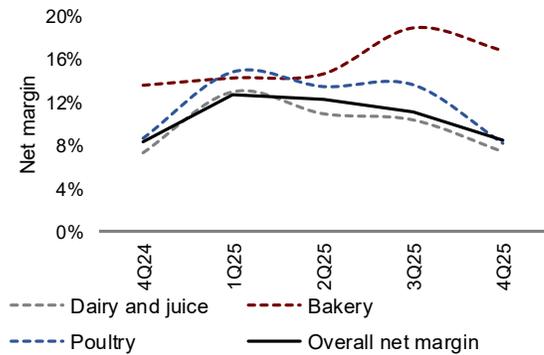
Revenue composition largely unchanged



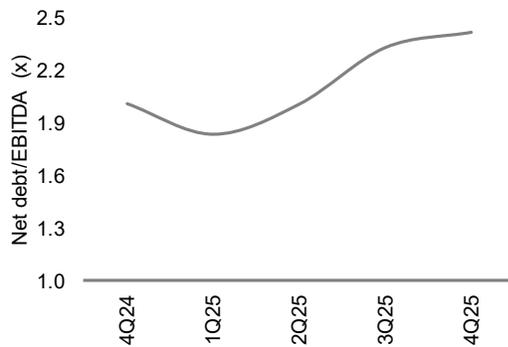
Margin pressure continues to weigh on bottomline



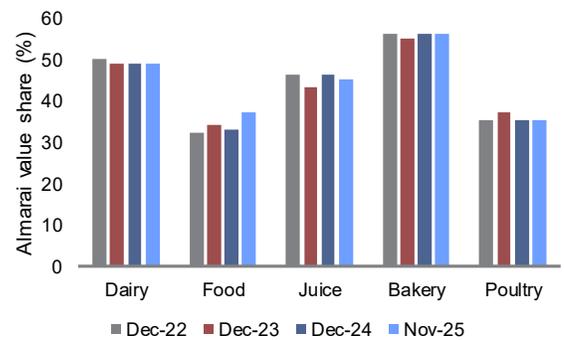
Margin plateauing across segments



Borrowings increase on the back of capex



Market share remains stable across the board





Income statement (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	18,722	19,576	20,980	22,065	23,275	24,611	26,056	28,131
Direct Costs	-13,098	-13,524	-14,315	-15,177	-16,060	-16,982	-17,979	-19,411
Gross Profit	5,624	6,051	6,664	6,888	7,215	7,629	8,077	8,721
Selling and marketing expenses	-2,710	-2,790	-2,994	-3,231	-3,375	-3,569	-3,778	-4,079
General and administrative expenses	-459	-469	-508	-561	-582	-615	-651	-703
Impairment losses on financial assets	-26	-34	-63	-15	-23	-25	-26	-28
Other expenses	-153	-64	-103	-20	23	25	26	28
EBIT	2,276	2,694	2,995	3,060	3,259	3,446	3,648	3,938
EBITDA	4,689	5,155	5,435	5,564	5,919	6,236	6,570	7,154
Share of results of joint venture	1	-1	-2	-1	-1	-1	-1	-1
Finance costs	-428	-527	-530	-463	-596	-636	-668	-700
PBT	1,849	2,166	2,463	2,596	2,662	2,809	2,979	3,238
Zakat and tax	-71	-114	-150	-139	-160	-169	-179	-194
Net Profit	1,778	2,052	2,314	2,457	2,502	2,640	2,800	3,043

Balance Sheet (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Property, plant and equipment	20,115	20,808	22,750	26,059	28,937	30,880	33,058	35,420
Right-of-use assets	499	474	504	552	682	802	914	1,027
Intangible assets and Goodwill	1,146	1,124	1,131	1,612	1,612	1,612	1,612	1,612
Biological assets	1,565	1,742	1,838	1,811	2,388	2,753	3,042	3,269
Other non current assets	624	592	560	542	508	474	440	406
Total non-current assets	23,947	24,739	26,784	30,575	34,127	36,521	39,066	41,734
Inventories	5,237	6,148	5,684	6,006	6,263	6,623	7,012	7,570
Trade receivables	2,156	2,564	2,422	2,696	2,793	2,953	3,127	3,376
Other current assets	186	2,076	150	166	161	161	161	161
Cash and Cash Equivalents	547	666	528	523	594	572	613	338
Total current assets	8,127	11,455	8,784	9,392	9,811	10,309	10,912	11,445
TOTAL ASSETS	32,074	36,194	35,568	39,967	43,938	46,830	49,978	53,179
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Reserves	1,085	1,394	1,117	1,423	1,423	1,423	1,423	1,423
Retained earnings	5,586	6,403	7,674	9,105	10,457	11,971	13,583	15,366
Non-controlling assets	312	11	0	-0	1	1	1	1
Total equity	16,983	17,809	18,791	20,527	21,881	23,395	25,007	26,790
Loans and Borrowings	8,449	8,499	8,900	10,952	13,452	14,452	15,452	16,452
Lease liabilities	392	369	398	442	442	442	442	442
Employee retirement benefits	1,057	1,226	1,397	1,584	1,455	1,538	1,954	2,110
Other non current liabilities	110	104	244	69	4	4	4	4
Total non-current liabilities	10,008	10,199	10,938	13,048	15,353	16,436	17,852	19,008
Loans and borrowings	1,065	3,529	1,230	1,520	1,437	1,437	1,237	1,037
Lease liabilities	75	81	87	108	108	108	108	108
Trade and other payables	3,656	4,246	4,049	4,415	4,657	4,925	5,214	5,629
Other current liabilities	288	331	472	349	502	529	560	606
Total current liabilities	5,083	8,187	5,839	6,392	6,705	6,999	7,118	7,380
Total liabilities	15,091	18,385	16,777	19,440	22,058	23,435	24,971	26,388
Total equity and liabilities	32,074	36,194	35,568	39,967	43,938	46,830	49,978	53,179

Cash Flow (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	3,830	4,483	6,028	5,463	5,646	5,814	6,117	6,567
Investing cash flow	-1,988	-5,180	-2,622	-5,966	-5,533	-4,637	-4,927	-5,344
Financing cash flow	-1,861	821	-3,539	495	-43	-1,199	-1,148	-1,497
Change in cash	-34	119	-137	-5	71	-22	41	-274
Beginning cash	580	546	666	528	523	594	572	613
Ending cash	546	666	528	523	594	572	613	338



Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	1.8	2.1	2.3	2.5	2.5	2.6	2.8	3.0
BVPS (SAR)	17.0	17.8	18.8	20.5	21.9	23.4	25.0	26.8
DPS (SAR)	1.0	1.0	1.0	1.2	1.1	1.2	1.3	1.4
FCF per share (SAR)	1.8	-0.7	3.4	-0.5	0.1	1.2	1.2	1.2
Valuation								
Market Cap (SAR Mn)	53,300	56,200	57,200	43,260	42,420	42,420	42,420	42,420
EV (SAR Mn)	62,903	66,336	67,633	56,017	57,745	58,793	59,583	60,704
EBITDA	4,689	5,155	5,435	5,564	5,919	6,236	6,570	7,154
P/E (x)	30.0	27.4	24.7	17.6	17.0	16.1	15.1	13.9
EV/EBITDA (x)	13.4	12.9	12.4	10.1	9.8	9.4	9.1	8.5
Price/Book (x)	3.1	3.2	3.0	2.1	1.9	1.8	1.7	1.6
Dividend Yield (%)	1.9%	1.8%	1.7%	2.7%	2.7%	2.8%	3.0%	3.2%
Price to sales (x)	2.8	2.9	2.7	2.0	1.8	1.7	1.6	1.5
EV to sales (x)	3.4	3.4	3.2	2.5	2.5	2.4	2.3	2.2
Liquidity								
Cash Ratio (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Current Ratio (x)	1.6	1.4	1.5	1.5	1.5	1.5	1.5	1.6
Quick Ratio (x)	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Returns Ratio								
ROA (%)	5.5%	5.7%	6.5%	6.1%	5.7%	5.6%	5.6%	5.7%
ROE (%)	10.5%	11.5%	12.3%	12.0%	11.4%	11.3%	11.2%	11.4%
ROCE (%)	6.6%	7.3%	7.8%	7.3%	6.7%	6.6%	6.5%	6.6%
Cash Cycle								
Inventory turnover (x)	2.5	2.2	2.5	2.5	2.6	2.6	2.6	2.6
Accounts Payable turnover (x)	3.6	3.2	3.5	3.4	3.4	3.4	3.4	3.4
Receivables turnover (x)	8.7	7.6	8.7	8.2	8.3	8.3	8.3	8.3
Inventory days	146	166	145	144	142	142	142	142
Payable Days	2.4	0.0	1.3	0.4	0.4	0.4	0.3	0.3
Receivables days	42	48	42	45	44	44	44	44
Cash Cycle	186	214	186	189	186	186	186	186
Profitability Ratio								
Net Margins (%)	9.5%	10.5%	11.0%	11.1%	10.7%	10.7%	10.7%	10.8%
EBITDA Margins (%)	25.0%	26.3%	25.9%	25.2%	25.4%	25.3%	25.2%	25.4%
PBT Margins (%)	9.9%	11.1%	11.7%	11.8%	11.4%	11.4%	11.4%	11.5%
EBIT Margins (%)	12.2%	13.8%	14.3%	13.9%	14.0%	14.0%	14.0%	14.0%
Effective Tax Rate (%)	3.8%	5.3%	6.1%	5.4%	6.0%	6.0%	6.0%	6.0%
Leverage								
Total Debt (SAR Mn)	10,149	12,728	10,961	13,280	15,918	16,945	17,775	18,622
Net Debt (SAR Mn)	9,603	10,136	10,433	12,757	15,325	16,373	17,163	18,284
Debt/Equity (x)	0.6	0.7	0.6	0.6	0.7	0.7	0.7	0.7
Net Debt/Equity (x)	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Net Debt/EBITDA	2.0	2.0	1.9	2.3	2.6	2.6	2.6	2.6

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Rating Criteria and Definitions

Rating	Rating Definitions
	Strong Buy This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
	Buy This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
	Hold This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
	Neutral This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
	Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
	Strong Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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