

Almarai Company

Sector : Food Retail

- Revenue grew 6.8% YoY in 1Q26, beats our forecast, robust growth in poultry.
- Gross margin remains stable despite rising costs due to the recent geopolitical crisis. Operating profit flattish while EBITDA rises modestly by 2.3% YoY.
- Net profit reported at SAR 732mn, outperforms by 10.8% and at the same level as previous year.
- Our 2026 estimates remain largely unchanged but we revise our target price downwards on higher risk premium to SAR 51.69 per share and provide a BUY rating.

Consolidated revenue for Almarai grew 6.8% YoY in 1Q26, exceeding our expectations by 8.5%. Our forecast had been conservative due to ongoing regional trade blockades; however, stronger-than-anticipated inventory sales and a meaningful contribution from the water segment supported performance during the quarter. Additionally, the month of Ramadan also contributed to the higher volume sales. Growth was primarily led by the poultry segment (+12.3% YoY), while the core dairy and juice segment recorded a steady 4% YoY increase. The bakery segment also posted modest growth of 4.6% YoY. Saudi Arabia, which contributes 67% of total sales, delivered solid growth of 7.2%, while other GCC markets showed moderation with a meagre 2% growth. This softer regional performance was partially offset by robust 13.1% YoY growth in markets outside the GCC.

Gross margin declined by 38bps due to higher raw material and freight costs. The company implemented pricing adjustments and optimized its product mix, particularly in the bakery and poultry segments, which helped partially mitigate margin pressure. However, we expect margin pressures to intensify from 2Q onward as cost increases are fully reflected. Operating margin compression resulted in a modest 2.8% YoY increase in EBITDA. Finance costs rose 5.9% YoY, driven by higher borrowings. Segment-wise, core dairy and juice profits grew 3.2%, while the bakery segment delivered strong growth of 20.8%. Poultry margins declined to 9.8%, leading to a 25.9% YoY drop in segment net profit. Overall, consolidated net profit stood at SAR 732mn, broadly flat YoY but 10% above our forecast, reflecting our earlier conservative assumptions on both revenue and margins.

Valuation: Despite ongoing regional challenges, Almarai delivered stronger-than-expected volume growth in 1Q26. While operating margins have softened, they remain within a comfortable range. However, prolonged disruption could further impact operations, with potential supply shocks driving commodity prices higher. With capex having peaked and expected to decline from 2025 levels, we anticipate improved cash flow generation. Based on the latest results, we maintain our full-year 2026e revenue and profit forecasts and expect a gradual normalization of operations. However, given the increased risk premium, we lower our target price to SAR 51.69 per share, implying an upside of 18.7%, accordingly we provide a BUY rating. The stock currently trades at 18x 2026e PE, which we view as attractive given the company's market leadership, extensive distribution network, and strong brand equity.

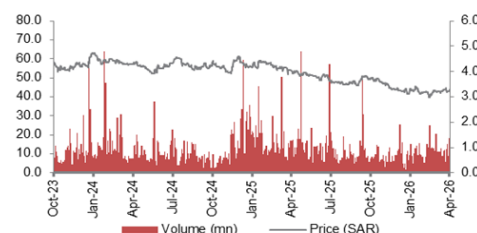
BUY

15 April 2026

Target price (SAR) 51.69

Current price (SAR) 43.56

Return 18.70%



Exchange Saudi Arabia
Index weight (%) 1.8%

(mn)	SAR	USD
Market Cap	43,560	11,761
Enterprise value	56,337	15,211

Major share holders

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

Valuation Summary

PER TTM (x)	14.9
P/Book (x)	2.1
EV/EBITDA (x)	9.4
Dividend Yield (%)	2.6
Free Float (%)	55%
Shares O/S (mn)	1,000
YTD Return (%)	1%
Beta	1.0

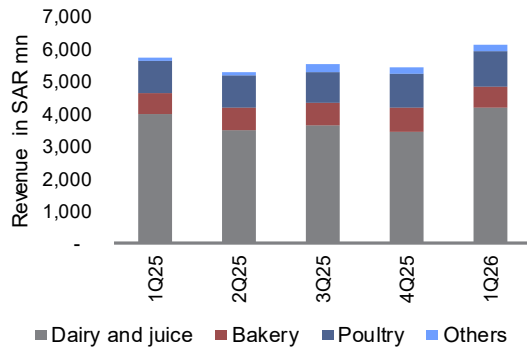
Key ratios	2023	2024	2025
EPS (SAR)	2.05	2.31	2.46
BVPS (SAR)	17.81	18.79	20.53
DPS (SAR)	1.00	1.00	1.15
Payout ratio (%)	49%	43%	47%

Price performance (%)	1M	3M	12M
Almarai	2%	1%	-19%
Tadawul All Share Index	6%	6%	-1%

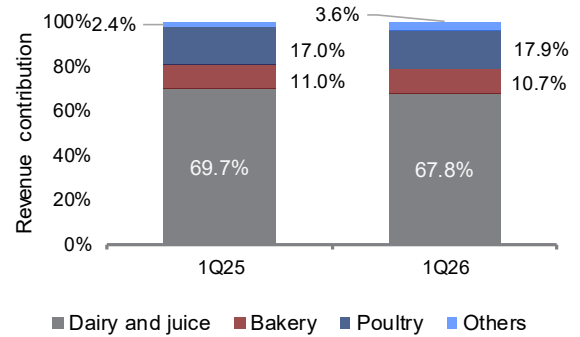
52 week	High	Low	CTL*
Price (SAR)	54.05	38.18	14.1

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

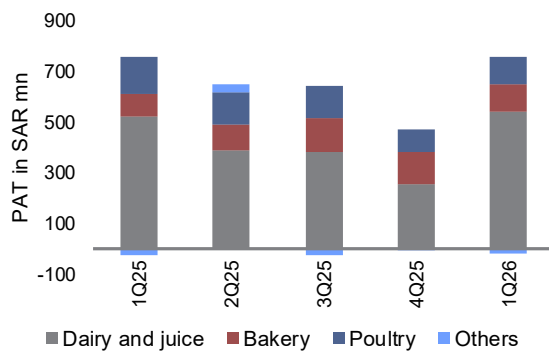
Revenue beats estimates despite macro headwinds



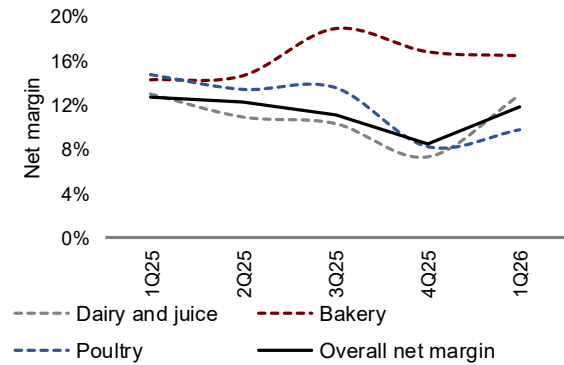
Composition of topline remains largely unchanged



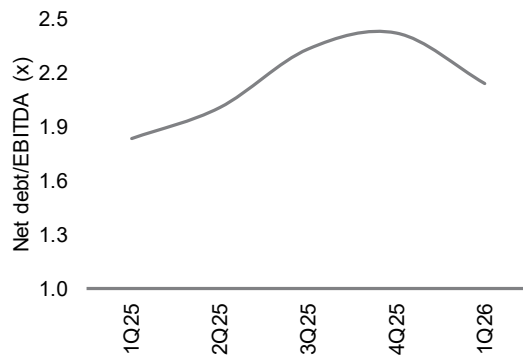
Margins better than expected, flattish bottomline



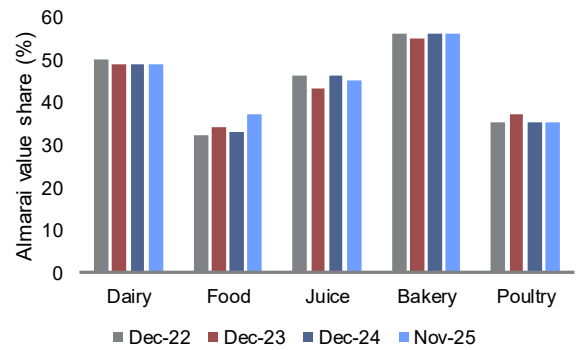
Net margin mostly in line with last year



Leverage in line with expectations



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	22,749	24,052	25,462	27,485
Direct Costs	-13,098	-13,524	-14,315	-15,177	-15,687	-16,356	-17,314	-18,690
Gross Profit	5,624	6,051	6,664	6,888	7,062	7,697	8,148	8,795
Selling and marketing expenses	-2,710	-2,790	-2,994	-3,231	-3,390	-3,608	-3,819	-4,123
General and administrative expenses	-459	-469	-508	-561	-553	-601	-637	-687
Impairment losses on financial assets	-26	-34	-63	-15	-25	-24	-25	-27
Other expenses	-153	-64	-103	-20	-109	24	25	27
EBIT	2,276	2,694	2,995	3,060	2,986	3,488	3,692	3,985
EBITDA	4,689	5,155	5,435	5,564	5,463	6,094	6,533	7,050
Share of results of joint venture	1	-1	-2	-1	-0	-0	-0	-0
Finance costs	-428	-527	-530	-463	-422	-596	-608	-560
PBT	1,849	2,166	2,463	2,596	2,563	2,892	3,084	3,425
Zakat and tax	-71	-114	-150	-139	-145	-174	-185	-206
Net Profit	1,778	2,052	2,314	2,457	2,418	2,718	2,899	3,220

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	27,982	30,016	31,406	31,740
Right-of-use assets	499	474	504	552	677	792	900	1,009
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	2,366	2,712	2,987	3,202
Other non current assets	624	592	560	542	508	474	440	406
Total non-current assets	23,947	24,739	26,784	30,575	33,145	35,606	37,345	37,969
Inventories	5,237	6,148	5,684	6,006	6,275	6,542	6,926	7,476
Trade receivables	2,156	2,564	2,422	2,696	2,844	3,007	3,183	3,436
Other current assets	186	2,076	150	166	161	161	161	161
Cash and Cash Equivalents	547	666	528	523	408	558	649	539
Total current assets	8,127	11,455	8,784	9,392	9,688	10,268	10,918	11,611
TOTAL ASSETS	32,074	36,194	35,568	39,967	42,833	45,874	48,262	49,580
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	10,373	12,003	13,679	15,594
Non-controlling assets	312	11	0	-0	1	1	1	1
Total equity	16,983	17,809	18,791	20,527	21,797	23,427	25,103	27,018
Loans and Borrowings	8,449	8,499	8,900	10,952	12,452	13,452	13,952	12,952
Lease liabilities	392	369	398	442	442	442	442	442
Employee retirement benefits	1,057	1,226	1,397	1,584	1,658	1,804	1,910	2,061
Other non current liabilities	110	104	244	69	4	4	4	4
Total non-current liabilities	10,008	10,199	10,938	13,048	14,556	15,702	16,308	15,460
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	4,549	4,743	5,021	5,420
Other current liabilities	288	331	472	349	385	457	486	537
Total current liabilities	5,083	8,187	5,839	6,392	6,480	6,745	6,852	7,102
Total liabilities	15,091	18,385	16,777	19,440	21,036	22,447	23,160	22,562
Total equity and liabilities	32,074	36,194	35,568	39,967	42,833	45,874	48,262	49,580

Cash Flow (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	3,830	4,483	6,028	5,463	4,926	5,684	6,066	6,440
Investing cash flow	-1,988	-5,180	-2,622	-5,966	-4,570	-4,831	-4,351	-3,459
Financing cash flow	-1,861	821	-3,539	495	-472	-703	-1,624	-3,090
Change in cash	-34	119	-137	-5	-115	149	91	-110
Beginning cash	580	546	666	528	523	408	558	649
Ending cash	546	666	528	523	408	558	649	539



Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	1.8	2.1	2.3	2.5	2.4	2.7	2.9	3.2
BVPS (SAR)	17.0	17.8	18.8	20.5	21.8	23.4	25.1	27.0
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	0.4	0.9	1.7	3.0
Valuation								
Market Cap (SAR Mn)	53,300	56,200	57,200	43,260	43,560	43,560	43,560	43,560
EV (SAR Mn)	62,903	66,336	67,633	56,017	57,953	58,875	59,113	58,074
EBITDA	4,689	5,155	5,435	5,564	5,463	6,094	6,533	7,050
P/E (x)	30.0	27.4	24.7	17.6	18.0	16.0	15.0	13.5
EV/EBITDA (x)	13.4	12.9	12.4	10.1	10.6	9.7	9.0	8.2
Price/Book (x)	3.1	3.2	3.0	2.1	2.0	1.9	1.7	1.6
Dividend Yield (%)	1.9%	1.8%	1.7%	2.7%	2.5%	2.8%	3.0%	3.3%
Price to sales (x)	2.8	2.9	2.7	2.0	1.9	1.8	1.7	1.6
EV to sales (x)	3.4	3.4	3.2	2.5	2.5	2.4	2.3	2.1
Liquidity								
Cash Ratio (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	1.6	1.4	1.5	1.5	1.5	1.5	1.6	1.6
Quick Ratio (x)	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.6
Returns Ratio								
ROA (%)	5.5%	5.7%	6.5%	6.1%	5.6%	5.9%	6.0%	6.5%
ROE (%)	10.5%	11.5%	12.3%	12.0%	11.1%	11.6%	11.5%	11.9%
ROCE (%)	6.6%	7.3%	7.8%	7.3%	6.7%	6.9%	7.0%	7.6%
Cash Cycle								
Inventory turnover (x)	2.5	2.2	2.5	2.5	2.5	2.5	2.5	2.5
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	8.0	8.0	8.0	8.0
Inventory days	146	166	145	144	146	146	146	146
Payable Days	2.4	0.0	1.3	0.4	0.4	0.4	0.4	0.3
Receivables days	42	48	42	45	46	46	46	46
Cash Cycle	186	214	186	189	191	191	191	191
Profitability Ratio								
Net Margins (%)	9.5%	10.5%	11.0%	11.1%	10.6%	11.3%	11.4%	11.7%
EBITDA Margins (%)	25.0%	26.3%	25.9%	25.2%	24.0%	25.3%	25.7%	25.7%
PBT Margins (%)	9.9%	11.1%	11.7%	11.8%	11.3%	12.0%	12.1%	12.5%
EBIT Margins (%)	12.2%	13.8%	14.3%	13.9%	13.1%	14.5%	14.5%	14.5%
Effective Tax Rate (%)	3.8%	5.3%	6.1%	5.4%	5.6%	6.0%	6.0%	6.0%
Leverage								
Total Debt (SAR Mn)	10,149	12,728	10,961	13,280	14,801	15,873	16,202	15,053
Net Debt (SAR Mn)	9,603	10,136	10,433	12,757	14,393	15,315	15,553	14,514
Debt/Equity (x)	0.6	0.7	0.6	0.6	0.7	0.7	0.6	0.6
Net Debt/Equity (x)	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.5
Net Debt/EBITDA	2.0	2.0	1.9	2.3	2.6	2.5	2.4	2.1

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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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