

Result update

Almarai Company

Sector : Food Retail

In line revenue growth (+6.6% YoY) on the back of steady market share, higher volumes and flattish pricing during 3Q25. Rising operating costs result in margin moderation, while lower finance and taxes cushion the bottom line (+7.9% YoY).

- Core segments grow by mid-single digit, management is confident of volume ramp up in poultry and newly acquired water business.
- Higher transportation costs and new business integration to be EBITDA dilutive.
- Working capital will remain higher to cushion from supply shocks, FCF is negative due to the recent SAR 1.01bn acquisition.
- Net profit supported by recent refinancing of sukuk and lower tax provision.
- Retain revenue and profit estimates, reiterate BUY rating with target price of SAR 58.60 per share

Revenue grew by 6.6% YoY in 3Q25, largely driven by volume growth, while pricing remained flattish. Topline growth was witnessed across all segments and in all geographies. Egypt was a strong performer and grew on the back of higher volumes supported by an increase in the local currency. The core Dairy and Juice (+5% YoY) registered strong sales in all markets. Improved product mix augured well for the Bakery (+6% YoY) segment. The management is striving to capture market share by aggressive pricing/discounts in the Poultry (+3% YoY) segment. Key pain points were higher operating cost which was attributed to the higher transportation cost, capex in poultry and integration of the newly acquired water business. Operating margins slipped by 60bps while EBITDA was lower by 129bps YoY during the quarter. We expect the cost to remain elevated going forward which will keep the margins under check in the near term. However, we expect stable commodity costs and control of SG&A expenses to partially offset the margin pressure. Recently re-financed SAR 500mn sukuk will help reduce interest expense as it has during this quarter. Net debt to EBITDA stands at a comfortable 2.5x. Capex continues at 19% of revenue with a total of SAR 3.1bn this year. Overall net profit for 3Q25 was reported at SAR 614mn a growth of 7.9% YoY, and 4% above our expectation. For the 9M25 period, the company reported net profit of SAR 1.99bn (+5.8% YoY).

Valuation: Almarai has a solid track record of operational excellence and has stood the test of time across several economic cycles. We believe it is the best fundamental play in the FMCG segment across the Middle east. Despite the pressure on margins, we expect upside from new product launches which will translate into volume gains and support the top and bottom line. The entrenched distribution network, brand equity and leadership provide adequate cushion to the valuation. We expect revenue to grow at 7.6% CAGR (2024-28e) triggered by new product launches and core segment growth. Net profit is expected to increase by 8.7% CAGR (2024-28e) on the back of improvement in cost efficiencies and lower finance expense. However, based on the moderation in margins we reduce our blended DCF-peer valuation based target price to SAR 58.60 per share which still provides an upside of 19.6% from current level, hence we retain our BUY rating

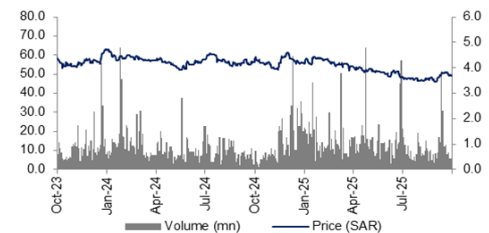
BUY

13 October 2025

Target price (SAR) 58.60

Current price (SAR) 48.98

Return 19.6%



Exchange Saudi Arabia
Index weight (%) 2%

(mn)	SAR	USD
Market Cap	48,980	13,059
Enterprise value	61,821	16,692

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)	20.0
P/Book (x)	2.4
EV/EBITDA (x)	11.6
Dividend Yield (%)	2.0
Free Float (%)	93%
Shares O/S (mn)	1,000
YTD Return (%)	-14%
Beta	0.7

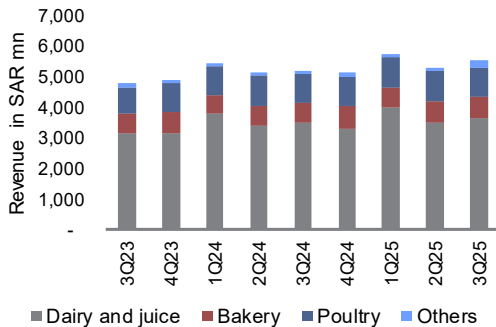
Key ratios	2022	2023	2024
EPS (SAR)	1.78	2.05	2.31
BVPS (SAR)	16.98	17.81	18.79
DPS (SAR)	1.00	1.00	1.00
Payout ratio (%)	56%	49%	43%

Price performance (%)	1M	3M	12M
Aldrees Petroleum	6%	2%	-13%
Tadawul All Share Index	10%	2%	-5%

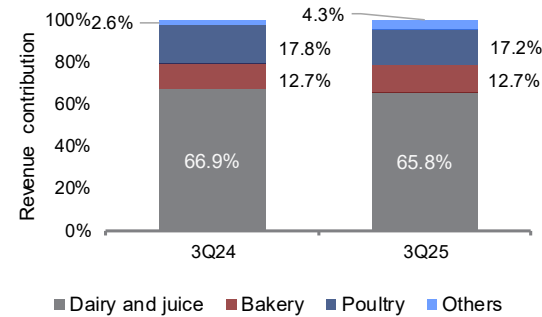
52 week	High	Low	CTL*
Price (SAR)	61.50	45.68	7.2

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

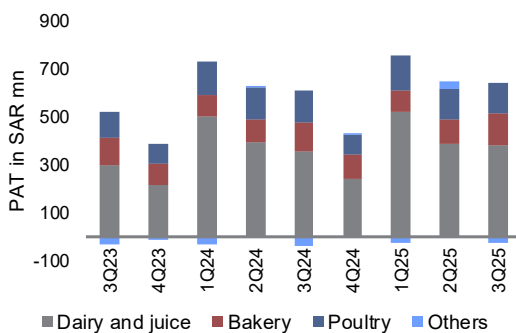
Core segment revenue stable during the quarter



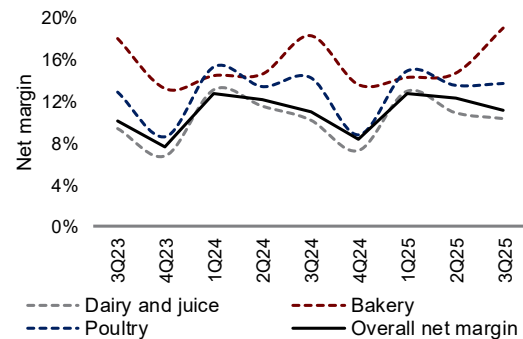
Revenue composition largely unchanged



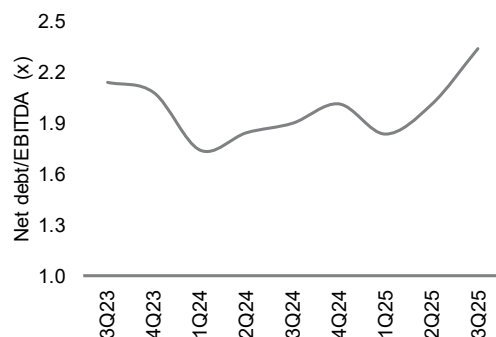
Pricing pressure and opex weighs on bottomline



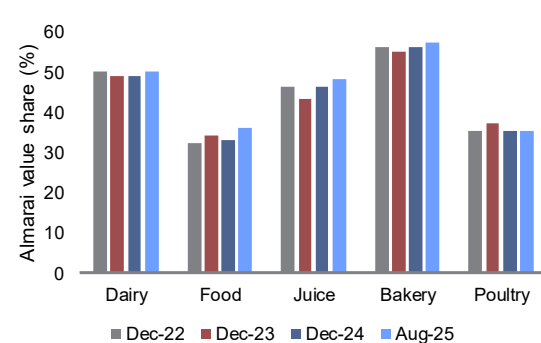
Bakery margins improve, poultry remains flattish



Debt has stayed at comfortable levels



Market share remains stable across the board





Income statement (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	15,850	18,722	19,576	20,980	22,075	23,908	25,928	27,313
Direct Costs	-10,790	-13,098	-13,524	-14,315	-15,151	-16,496	-18,020	-18,983
Gross Profit	5,059	5,624	6,051	6,664	6,924	7,411	7,908	8,330
Selling and marketing expenses	-2,519	-2,710	-2,790	-2,994	-3,149	-3,467	-3,760	-3,824
General and administrative expenses	-428	-459	-469	-508	-512	-574	-622	-656
Impairment losses on financial assets	-12	-26	-34	-63	-18	-72	-78	-82
Other expenses	-86	-153	-64	-103	-73	120	130	137
EBIT	2,015	2,276	2,694	2,995	3,172	3,419	3,578	3,906
EBITDA	4,180	4,689	5,155	5,435	5,572	6,047	6,404	6,968
Share of results of joint venture	-1	1	-1	-2	-1	-1	-1	-1
Finance costs	-346	-428	-527	-530	-462	-502	-474	-434
PBT	1,668	1,849	2,166	2,463	2,709	2,916	3,103	3,471
Zakat and tax	-88	-71	-114	-150	-144	-175	-186	-208
Net Profit	1,579	1,778	2,052	2,314	2,564	2,741	2,917	3,263
Balance Sheet (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property, plant and equipment	20,873	20,115	20,808	22,750	25,583	26,308	27,144	28,023
Right-of-use assets	465	499	474	504	464	427	393	361
Intangible assets and Goodwill	1,129	1,146	1,124	1,131	1,615	1,615	1,615	1,615
Biological assets	1,469	1,565	1,742	1,838	2,372	2,900	3,103	3,360
Other non current assets	716	624	592	560	542	514	487	460
Total non-current assets	24,652	23,947	24,739	26,784	30,575	31,763	32,741	33,818
Inventories	4,354	5,237	6,148	5,684	5,606	6,104	6,668	7,024
Trade receivables	1,991	2,156	2,564	2,422	3,753	4,064	4,408	4,643
Other current assets	176	186	2,076	150	165	157	157	157
Cash and Cash Equivalents	581	547	666	528	559	770	765	815
Total current assets	7,102	8,127	11,455	8,784	10,083	11,095	11,997	12,639
TOTAL ASSETS	31,754	32,074	36,194	35,568	40,658	42,858	44,738	46,457
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Reserves	1,088	1,085	1,394	1,117	1,371	1,371	1,371	1,371
Retained earnings	5,032	5,586	6,403	7,674	9,238	10,979	12,896	15,158
Non-controlling assets	499	312	11	0	1	1	1	1
Total equity	16,618	16,983	17,809	18,791	20,610	22,351	24,268	26,530
Loans and Borrowings	7,072	8,449	8,499	8,900	11,044	11,044	10,344	9,544
Lease liabilities	360	392	369	398	378	378	378	378
Employee retirement benefits	952	1,057	1,226	1,397	1,537	1,721	1,867	1,967
Other non current liabilities	127	110	104	244	62	6	6	6
Total non-current liabilities	8,512	10,008	10,199	10,938	13,020	13,149	12,595	11,894
Loans and borrowings	2,632	1,065	3,529	1,230	1,601	1,501	1,501	1,301
Lease liabilities	81	75	81	87	89	89	89	89
Trade and other payables	3,339	3,656	4,246	4,049	4,924	5,361	5,857	6,169
Other current liabilities	572	288	331	472	414	408	430	474
Total current liabilities	6,624	5,083	8,187	5,839	7,028	7,358	7,876	8,033
Total liabilities	15,136	15,091	18,385	16,777	20,048	20,507	20,471	19,927
Total equity and liabilities	31,754	32,074	36,194	35,568	40,658	42,858	44,738	46,457
Cash Flow (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	4,915	3,830	4,483	6,028	5,049	5,499	5,805	6,479
Investing cash flow	-1,814	-1,988	-5,180	-2,622	-5,505	-3,738	-3,723	-4,055
Financing cash flow	-3,024	-1,861	821	-3,539	486	-1,549	-2,087	-2,375
Change in cash	77	-34	119	-137	30	212	-5	49
Beginning cash	503	580	546	666	528	559	770	765
Ending cash	580	546	666	528	559	770	765	815

Ratio Analysis	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share								
EPS (SAR)	1.6	1.8	2.1	2.3	2.6	2.7	2.9	3.3
BVPS (SAR)	16.6	17.0	17.8	18.8	20.6	22.4	24.3	26.5
DPS (SAR)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
FCF per share (SAR)	3.1	1.8	-0.7	3.4	-0.5	1.8	2.1	2.4
Valuation								
Market Cap (SAR Mn)	48,750	53,300	56,200	57,200	48,980	48,980	48,980	48,980
EV (SAR Mn)	58,744	62,903	66,336	67,633	61,821	61,571	60,899	59,893
EBITDA	4,180	4,689	5,155	5,435	5,572	6,047	6,404	6,968
P/E (x)	30.9	30.0	27.4	24.7	19.1	17.9	16.8	15.0
EV/EBITDA (x)	14.1	13.4	12.9	12.4	11.1	10.2	9.5	8.6
Price/Book (x)	2.9	3.1	3.2	3.0	2.4	2.2	2.0	1.8
Dividend Yield (%)	2.1%	1.9%	1.8%	1.7%	2.0%	2.0%	2.0%	2.0%
Price to sales (x)	3.1	2.8	2.9	2.7	2.2	2.0	1.9	1.8
EV to sales (x)	3.7	3.4	3.4	3.2	2.8	2.6	2.3	2.2
Liquidity								
Cash Ratio (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	1.1	1.6	1.4	1.5	1.4	1.5	1.5	1.6
Quick Ratio (x)	0.4	0.6	0.6	0.5	0.6	0.7	0.7	0.7
Returns Ratio								
ROA (%)	5.0%	5.5%	5.7%	6.5%	6.3%	6.4%	6.5%	7.0%
ROE (%)	9.5%	10.5%	11.5%	12.3%	12.4%	12.3%	12.0%	12.3%
ROCE (%)	6.3%	6.6%	7.3%	7.8%	7.6%	7.7%	7.9%	8.5%
Cash Cycle								
Inventory turnover (x)	2.5	2.5	2.2	2.5	2.7	2.7	2.7	2.7
Accounts Payable turnover (x)	3.2	3.6	3.2	3.5	3.1	3.1	3.1	3.1
Receivables turnover (x)	8.0	8.7	7.6	8.7	5.9	5.9	5.9	5.9
Inventory days	147	146	166	145	135	135	135	135
Payable Days	2.7	2.4	0.0	1.3	0.9	0.8	0.8	0.7
Receivables days	46	42	48	42	62	62	62	62
Cash Cycle	190	186	214	186	196	196	196	196
Profitability Ratio								
Net Margins (%)	10.0%	9.5%	10.5%	11.0%	11.6%	11.5%	11.2%	11.9%
EBITDA Margins (%)	26.4%	25.0%	26.3%	25.9%	25.2%	25.3%	24.7%	25.5%
PBT Margins (%)	10.5%	9.9%	11.1%	11.7%	12.3%	12.2%	12.0%	12.7%
EBIT Margins (%)	12.7%	12.2%	13.8%	14.3%	14.4%	14.3%	13.8%	14.3%
Effective Tax Rate (%)	5.3%	3.8%	5.3%	6.1%	5.3%	6.0%	6.0%	6.0%
Leverage								
Total Debt (SAR Mn)	10,575	10,149	12,728	10,961	13,400	13,361	12,683	11,728
Net Debt (SAR Mn)	9,994	9,603	10,136	10,433	12,841	12,591	11,919	10,913
Debt/Equity (x)	0.6	0.6	0.7	0.6	0.7	0.6	0.5	0.4
Net Debt/Equity (x)	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.4
Net Debt/EBITDA	2.4	2.0	2.0	1.9	2.3	2.1	1.9	1.6

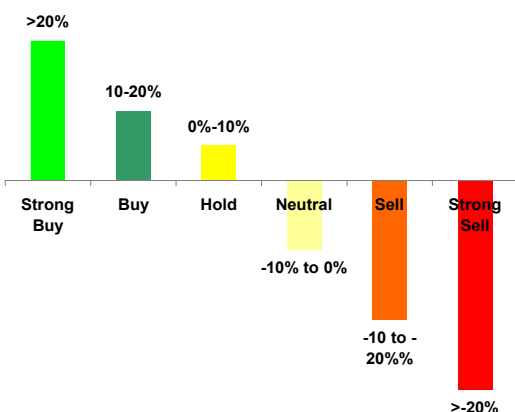
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joice@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

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

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.