UNITED SECURITIES LLC

INVESTMENT RESEARCH – Saudi Arabia

# Almarai Company

Sector : Food Retail

**BUY**

13 October 2025

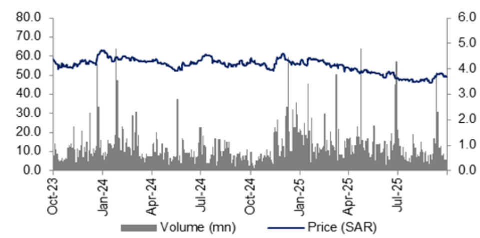
*In line revenue growth (+6.6% YoY) on the back of steady market share, higher volumes and flattish pricing during 3Q25. Rising operating costs result in margin moderation, while lower finance and taxes cushion the bottom line (+7.9% YoY).*

- **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

| | |
|---|---|
| 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 |

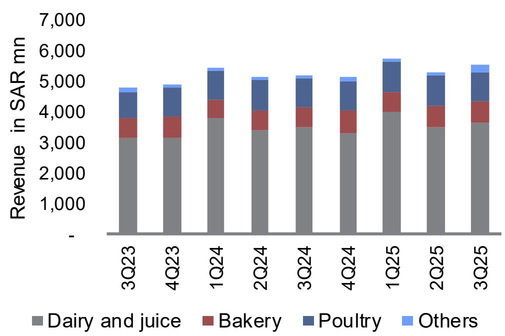
| Key ratios | 2022 | 2023 | 2024 |
|---|---|---|---|
| EPS (SAR) | 1.78 | 2.05 | 2.31 |
| BVPS (SAR) | 16.98 | 17.81 | 18.79 |
| DPS (SAR) | 1.00 | 1.00 | 1.00 |
| Payout ratio (%) | 56% | 49% | 43% |

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

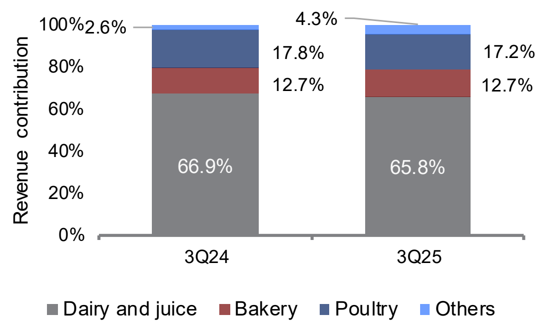
| 52 week | High | Low | CTL* |
|---|---|---|---|
| Price (SAR) | 61.50 | 45.68 | 7.2 |

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

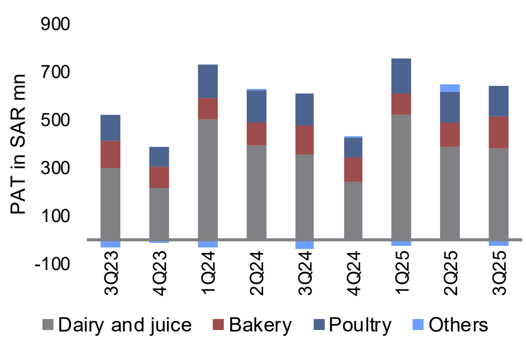
**Core segment revenue stable during the quarter**



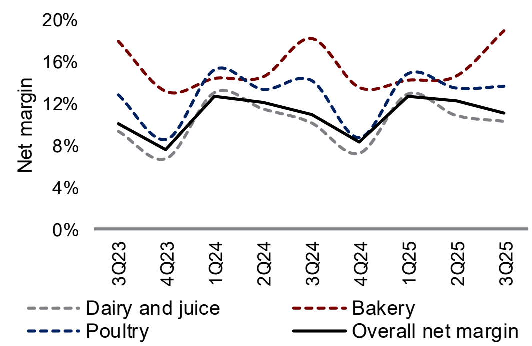

**Revenue composition largely unchanged**



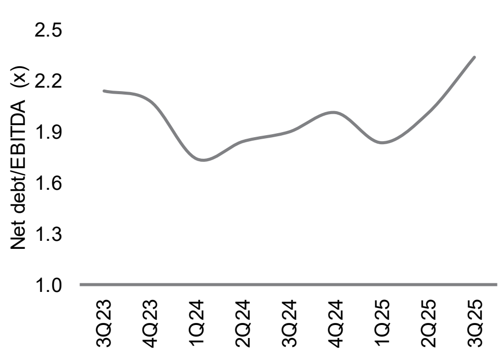

**Pricing pressure and opex weighs on bottomline**



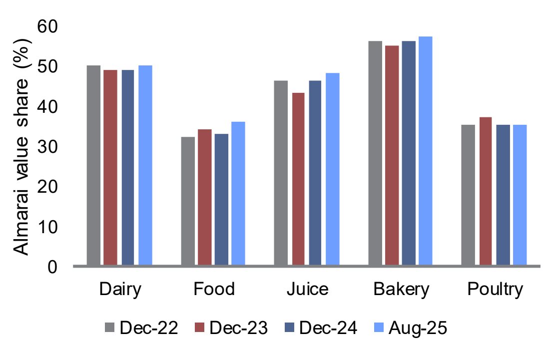

**Bakery margins improve, poultry remains flattish**




**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 recievables | 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 |
| | | | | | | | | |
| **Liqiudity** | | | | | | | | |
| 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 |

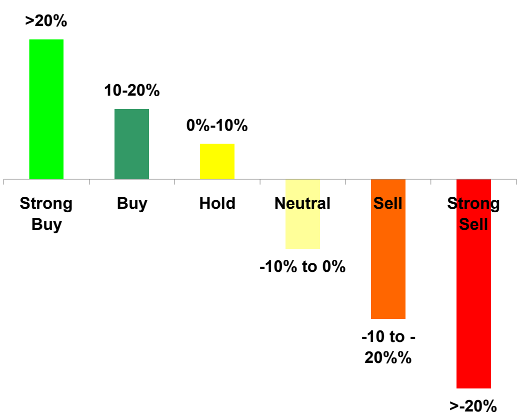
## Key contacts

**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 |

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