

FMCG

HOLD: 12M TP @ 22.50

Upside +8.75%

Valuation Summary (TTM)

| | |
|--------------------|-------|
| Price (SAR) | 20.69 |
| PER TTM (x) | 8.1 |
| P/Book (x) | 1.4 |
| P/Sales (x) | 1.9 |
| EV/Sales (x) | 1.5 |
| EV/EBITDA (x) | 6.9 |
| Dividend Yield (%) | NA |
| Free Float (%) | 58% |
| Shares O/S (mn) | 302 |
| YTD Return (%) | -15% |
| Beta | 0.9 |

| (mn) | | SAR | USD |
|--------------------------|-------|--------|--------|
| Market Cap | | 6,328 | 1,687 |
| Enterprise value | | 5,114 | 1,363 |
| Price performance (%) | 1M | 3M | 12M |
| NADEC | 2% | 3% | -24% |
| Tadawul All Share Index | -2% | -4% | -12% |
| Trading liquidity (,000) | 1M | 3M | 6M |
| Avg daily turnover (SAR) | 9,200 | 14,547 | 24,020 |
| Avg Daily Volume (,000) | 462 | 700 | 1,078 |
| 52 week | High | Low | CTL* |
| Price (SAR) | 29.40 | 18.20 | 15.3 |

* CTL is % change in CMP to 52wk low

Major shareholders

| | |
|----------------------|-------|
| Saudi Agricultural a | 39% |
| Vanguard Group Inc/T | 2.0% |
| Blackrock Inc | 0.9% |
| Others | 58.5% |

Other details

| | |
|------------------|--------------|
| Exchange | Saudi Arabia |
| Sector | Food |
| Index weight (%) | 0.2% |

| Key ratios | 2022 | 2023 | 2024 |
|------------------|------|-------|-------|
| EPS (SAR) | 0.45 | 1.00 | 2.57 |
| BVPS (SAR) | 6.08 | 11.91 | 14.25 |
| DPS (SAR) | 0.00 | 0.00 | 0.00 |
| Payout ratio (%) | 0% | 0% | 0% |



NADEC – Weak core segment; margins improve

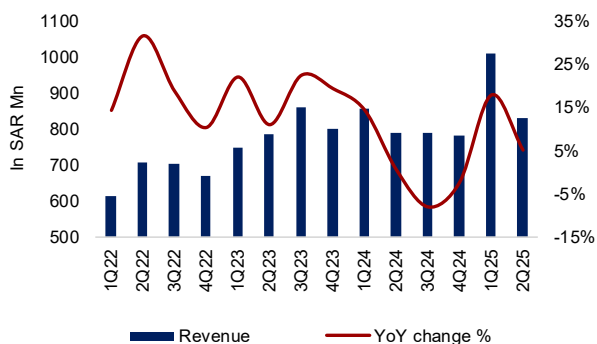
NADEC reported 2Q25 revenue of SAR 830mn, up 5% YoY, but slightly below our estimate by 4%. For 1H25, revenue grew 11.79% YoY to SAR 1.84bn. Quarterly revenue growth was supported by stronger sales in agriculture and protein segments, partially offset by muted performance in the dairy and food segment. The company's focus on cost optimization contributed to margin improvement during the quarter.

Agriculture and protein segments drive growth: Agricultural revenue during the quarter grew 39.3% YoY to SAR 60mn, owing to increased sales volume and realization, accounting for 7% of total. The protein segment, also representing 7% of revenue, grew 35.1% YoY in 2Q25, driven by strategic expansions, the establishment of local slaughterhouses, and enhanced distribution networks. In contrast, the dairy and food segment, which makes up 91% of revenue, grew only 1.9% YoY, reflecting a decline in fresh milk demand and a shift toward lower-priced processed milk.

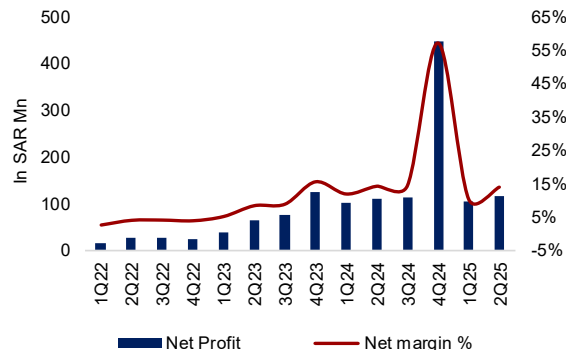
Margins supported despite higher costs: Gross profit rose 5% YoY to SAR 313mn, in line with revenue growth, as direct costs increased at the same rate. Gross margin therefore remained stable, declining only 10bps YoY to 37.7% in 2Q25. Selling and marketing expenses increased 6.5% YoY due to higher distribution costs, while administrative expenses rose 4% YoY. Impairment losses on trade receivables increased 20% YoY owing to higher receivable balances. Other income of SAR 1mn was reported in 2Q25 compared to expenses of SAR 7mn in 2Q24. As a result, operating profit rose 11.4% YoY to SAR 109mn, with EBIT margin improving 70bps YoY to 13.2%. EBITDA margin expanded by 230bps YoY to 22.4%. Treasury income rose 23% YoY due to higher deposits, while results from joint ventures showed a SAR 1mn loss versus a SAR 8mn profit in 2Q24. Finance costs increased 42% YoY, mainly due to higher lease-related interest expenses. Net income grew 3% YoY to SAR 115mn, though net margin slipped 30bps YoY to 13.9% as topline growth was partly offset by higher finance costs and JV losses. The profit and margins were broadly in line with our forecasts. For 1H25, profit increased 2.6% YoY to SAR 219mn. NADEC announced that it will not distribute dividends for 2025, contrary to our expectations which was disappointing.

Outlook and valuation: NADEC's expansion strategy focuses on strengthening its presence across markets and food sectors through infrastructure upgrades, expanded storage capacity, and modernization of storage and distribution systems. The protein segment is expected to benefit in 2H25 from value-added beef products once the company's slaughterhouse becomes operational in 4Q25. The agriculture segment should also gain from the delivery of 65k tons of wheat in 2H25. Based on the current results we have revised our revenue estimate slightly downwards to SAR 3.51bn (vs SAR 3.56bn) and net profit to SAR 428mn (vs SAR 454mn). However, we remain cautious as the core dairy and food segment continues to show sluggish revenue. Accordingly, we lower our target price to SAR 22.5/share (from SAR 23.9/share), representing an 8.75% upside potential. We therefore downgrade our rating to HOLD from BUY. The stock is currently trading at 14.6x its 2025e EPS.

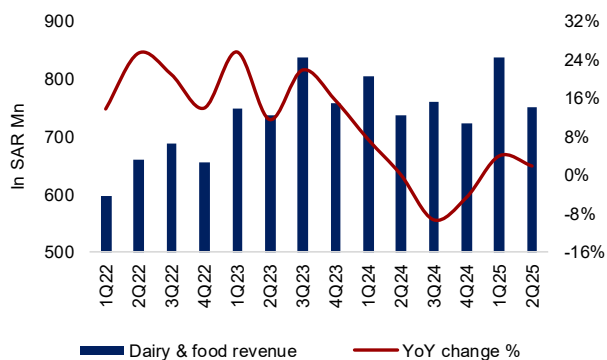
Revenue growth driven by agri & protein segment



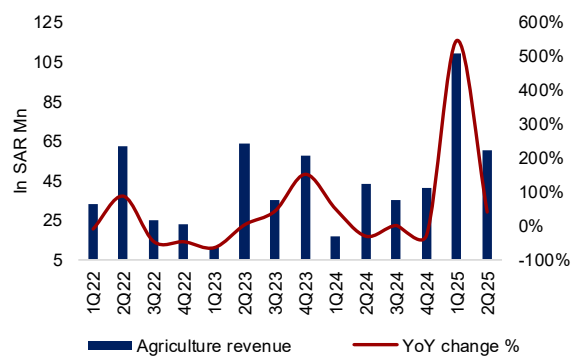
Net margin declines on higher finance costs



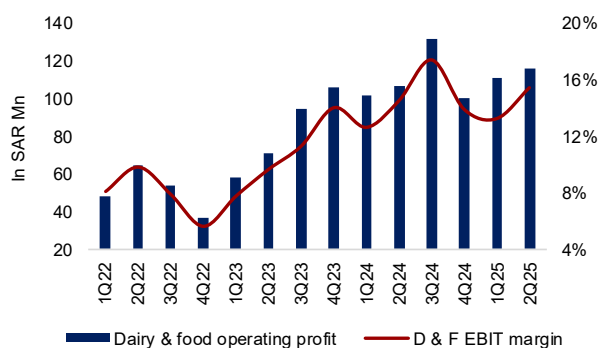
Dairy & food revenue flattish on shift in demand



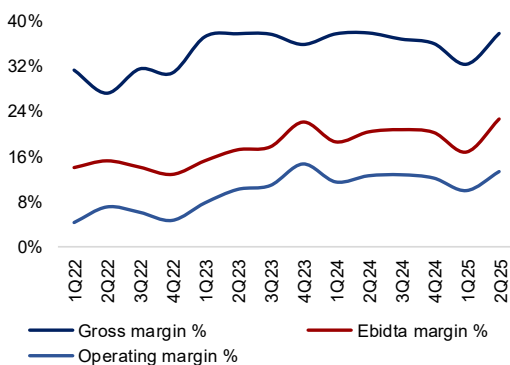
Agriculture revenue spikes on higher sales



Dairy and food margins improves by 90bps YoY



Margins improvement evident in 2Q25



| Income statement (in SAR Mn) | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e | 2027e | 2028e |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 2,272 | 2,694 | 3,197 | 3,220 | 3,515 | 3,693 | 3,878 | 3,911 |
| Direct Costs | -1,641 | -1,886 | -2,013 | -2,028 | -2,269 | -2,327 | -2,443 | -2,464 |
| Gross Profit | 631 | 808 | 1,184 | 1,192 | 1,245 | 1,366 | 1,435 | 1,447 |
| Selling and marketing expenses | -484 | -488 | -560 | -532 | -550 | -609 | -640 | -665 |
| General and administrative expenses | -148 | -139 | -213 | -235 | -234 | -259 | -271 | -274 |
| Provisions on recievables/other | -152 | -21 | -73 | -4 | -20 | -18 | -19 | -20 |
| Other Income / (expenses) - net | -58 | -13 | 6 | -32 | -26 | -37 | -39 | -39 |
| EBIT | -213 | 147 | 345 | 389 | 416 | 443 | 465 | 450 |
| EBITDA | -1 | 375 | 572 | 636 | 715 | 759 | 786 | 761 |
| Share of results of joint venture | - | 3 | 22 | 24 | -2 | 30 | 30 | 30 |
| Finance costs | -32 | -49 | -76 | -34 | -47 | -35 | -33 | -32 |
| PBT | -245 | 101 | 290 | 827 | 472 | 479 | 502 | 488 |
| Zakat | -40 | -6 | -14 | -53 | -44 | -43 | -45 | -44 |
| Net Profit | -285 | 95 | 302 | 775 | 428 | 436 | 457 | 444 |
| Balance Sheet (in SAR Mn) | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e | 2027e | 2028e |
| Property, plant and equipment | 1,810 | 1,713 | 1,761 | 1,775 | 1,959 | 2,014 | 2,072 | 2,125 |
| Right-of-use assets | 71 | 56 | 58 | 46 | 361 | 292 | 225 | 174 |
| Biological assets | 686 | 735 | 728 | 696 | 677 | 677 | 677 | 677 |
| Other non current assets | 178 | 203 | 149 | 302 | 396 | 396 | 396 | 396 |
| Total non-current assets | 2,745 | 2,707 | 2,695 | 2,819 | 3,393 | 3,378 | 3,369 | 3,371 |
| Current inventories | 452 | 516 | 560 | 662 | 635 | 651 | 684 | 690 |
| Trade and other current receivables | 288 | 371 | 464 | 472 | 422 | 443 | 465 | 469 |
| Cash and bank balances | 82 | 113 | 835 | 1,365 | 1,672 | 1,988 | 2,201 | 2,387 |
| Other current assets | 323 | 115 | 57 | 85 | 178 | 178 | 178 | 178 |
| Total current assets | 1,145 | 1,115 | 2,415 | 2,885 | 2,907 | 3,260 | 3,528 | 3,724 |
| TOTAL ASSETS | 3,890 | 3,822 | 5,110 | 5,704 | 6,300 | 6,638 | 6,898 | 7,096 |
| Share capital | 1,016 | 1,016 | 3,016 | 3,016 | 3,016 | 3,016 | 3,016 | 3,016 |
| Reserves | 210 | 223 | 233 | 164 | -68 | -68 | -68 | -68 |
| Retained earnings | -30 | 56 | 344 | 1,116 | 1,544 | 1,980 | 2,219 | 2,435 |
| Total Equity attributable to shareholders | 1,196 | 1,295 | 3,593 | 4,297 | 4,472 | 4,907 | 5,147 | 5,362 |
| Total equity | 1,196 | 1,295 | 3,593 | 4,297 | 4,472 | 4,907 | 5,147 | 5,362 |
| Murabaha loans and borrowings | 1,150 | 893 | 98 | 2 | 1 | 1 | 1 | 1 |
| Lease liabilities | 45 | 39 | 35 | 26 | 175 | 117 | 91 | 71 |
| Employee benefit obligation | 163 | 153 | 148 | 131 | 140 | 155 | 163 | 164 |
| Other non current liabilities | 5 | 5 | 4 | 3 | 3 | 3 | 3 | 3 |
| Total non-current liabilities | 1,364 | 1,090 | 284 | 162 | 399 | 276 | 258 | 240 |
| Trade and other current payables | 714 | 678 | 775 | 823 | 976 | 1,000 | 1,051 | 1,059 |
| Murabaha loans and borrowings | 486 | 633 | 279 | 206 | 276 | 276 | 276 | 276 |
| Lease liabilities | 25 | 16 | 18 | 14 | 44 | 50 | 39 | 31 |
| Other current liabilities | 105 | 110 | 78 | 119 | 45 | 45 | 45 | 45 |
| Total current liabilities | 1,330 | 1,437 | 1,232 | 1,245 | 1,429 | 1,455 | 1,493 | 1,494 |
| Total liabilities | 2,694 | 2,526 | 1,517 | 1,407 | 1,828 | 1,731 | 1,751 | 1,734 |
| Total equity and liabilities | 3,890 | 3,822 | 5,110 | 5,704 | 6,300 | 6,638 | 6,898 | 7,096 |
| Cash Flow (in SAR Mn) | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e | 2027e | 2028e |
| Cash from operations | 256 | 452 | 655 | 670 | 1,056 | 824 | 861 | 839 |
| Investing cash flow | -325 | -243 | -757 | 82 | -351 | -222 | -233 | -235 |
| Financing cash flow | 82 | -178 | 825 | -221 | -398 | -287 | -415 | -419 |
| Change in cash | 13 | 31 | 722 | 531 | 307 | 316 | 213 | 186 |
| Beginning cash | 69 | 82 | 113 | 835 | 1,365 | 1,672 | 1,988 | 2,201 |
| Ending cash | 82 | 113 | 835 | 1,365 | 1,672 | 1,988 | 2,201 | 2,387 |

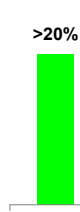





| Ratio Analysis | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e | 2027e | 2028e |
|-------------------------------|--------|-------|-------|--------|--------|--------|--------|--------|
| Per Share | | | | | | | | |
| EPS (SAR) | -2.8 | 0.9 | 1.0 | 2.6 | 1.4 | 1.4 | 1.5 | 1.5 |
| BVPS (SAR) | 11.8 | 12.7 | 11.9 | 14.2 | 14.8 | 16.3 | 17.1 | 17.8 |
| DPS (SAR) | - | - | - | - | - | 0.7 | 0.8 | 0.7 |
| FCF per share (SAR) | -0.7 | 2.1 | -0.3 | 2.5 | 2.3 | 2.0 | 2.1 | 2.0 |
| Valuation | | | | | | | | |
| Market Cap (SAR Mn) | 3,085 | 2,075 | 8,401 | 7,444 | 6,241 | 6,241 | 6,241 | 6,241 |
| EV (SAR Mn) | 4,710 | 3,544 | 7,995 | 6,326 | 5,065 | 4,697 | 4,446 | 4,232 |
| EBITDA | -1 | 375 | 572 | 636 | 715 | 759 | 786 | 761 |
| P/E (x) | -10.8 | 21.7 | 27.8 | 9.6 | 14.6 | 14.3 | 13.7 | 14.1 |
| EV/EBITDA (x) | - | 9.4 | 14.0 | 9.9 | 7.1 | 6.2 | 5.7 | 5.6 |
| Price/Book (x) | 2.6 | 1.6 | 2.3 | 1.7 | 1.4 | 1.3 | 1.2 | 1.2 |
| Dividend Yield (%) | | | 0.0% | 0.0% | 0.0% | 3.5% | 3.7% | 3.6% |
| Price to sales (x) | 1.4 | 0.8 | 2.6 | 2.3 | 1.8 | 1.7 | 1.6 | 1.6 |
| EV to sales (x) | 2.1 | 1.3 | 2.5 | 2.0 | 1.4 | 1.3 | 1.1 | 1.1 |
| Liquidity | | | | | | | | |
| Cash Ratio (x) | 0.1 | 0.1 | 0.7 | 1.1 | 1.2 | 1.4 | 1.5 | 1.6 |
| Current Ratio (x) | 0.9 | 0.8 | 2.0 | 2.3 | 2.0 | 2.2 | 2.4 | 2.5 |
| Quick Ratio (x) | 0.5 | 0.4 | 1.5 | 1.8 | 1.6 | 1.8 | 1.9 | 2.0 |
| Returns Ratio | | | | | | | | |
| ROA (%) | -7.3% | 2.5% | 5.9% | 13.6% | 6.8% | 6.6% | 6.6% | 6.3% |
| ROE (%) | -23.8% | 7.4% | 8.4% | 18.0% | 9.6% | 8.9% | 8.9% | 8.3% |
| ROCE (%) | -11.1% | 4.0% | 7.8% | 17.4% | 8.8% | 8.4% | 8.5% | 7.9% |
| Cash Cycle | | | | | | | | |
| Inventory turnover (x) | 3.6 | 3.7 | 3.6 | 3.1 | 3.6 | 3.6 | 3.6 | 3.6 |
| Accounts Payable turnover (x) | 2.3 | 2.8 | 2.6 | 2.5 | 2.3 | 2.3 | 2.3 | 2.3 |
| Receivables turnover (x) | 7.9 | 7.3 | 6.9 | 6.8 | 8.3 | 8.3 | 8.3 | 8.3 |
| Inventory days | 101 | 100 | 101 | 119 | 102 | 102 | 102 | 102 |
| Payable Days | 159 | 131 | 140 | 148 | 157 | 157 | 157 | 157 |
| Receivables days | 46 | 50 | 53 | 54 | 44 | 44 | 44 | 44 |
| Cash Cycle | -12 | 19 | 14 | 25 | -11 | -11 | -11 | -11 |
| Profitability Ratio | | | | | | | | |
| Net Margins (%) | -12.5% | 3.5% | 9.4% | 24.1% | 12.2% | 11.8% | 11.8% | 11.4% |
| EBITDA Margins (%) | 0.0% | 13.9% | 17.9% | 19.7% | 20.3% | 20.5% | 20.3% | 19.5% |
| PBT Margins (%) | -10.8% | 3.8% | 9.1% | 25.7% | 13.4% | 13.0% | 13.0% | 12.5% |
| EBIT Margins (%) | -9.4% | 5.5% | 10.8% | 12.1% | 11.8% | 12.0% | 12.0% | 11.5% |
| Effective Tax Rate (%) | -16.2% | 5.9% | 4.9% | 6.3% | 9.3% | 9.0% | 9.0% | 9.0% |
| Leverage | | | | | | | | |
| Total Debt (SAR Mn) | 1,707 | 1,581 | 429 | 247 | 496 | 444 | 406 | 379 |
| Net Debt (SAR Mn) | 1,625 | 1,468 | -406 | -1,118 | -1,176 | -1,544 | -1,795 | -2,009 |
| Debt/Equity (x) | 1.4 | 1.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.08 | 0.07 |
| Net Debt/Equity (x) | 1.4 | 1.1 | -0.1 | -0.3 | -0.3 | -0.3 | -0.3 | -0.4 |

Key contacts

Research Team

| | | |
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Rating Criteria and Definitions

| Rating | Rating Definitions |
|---|---|
|  Strong Buy | 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 | 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 | 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 | 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 | 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 | 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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