

## FMCG

BUY: 12M TP @ 23.90

Upside +15%

### Valuation Summary (TTM)

Price (SAR)	20.78
PER TTM (x)	7.9
P/Book (x)	1.4
P/Sales (x)	1.8
EV/Sales (x)	1.9
EV/EBITDA (x)	9.3
Dividend Yield (%)	NA
Free Float (%)	58%
Shares O/S (mn)	302
YTD Return (%)	-18%
Beta	1.0

(mn)	SAR	USD
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Market Cap	6,135	1,636
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Enterprise value	6,247	1,665
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Price performance (%)	1M	3M	12M
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NADEC	-10%	-20%	-33%
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Tadawul All Share Index	-6%	-9%	-6%
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Trading liquidity (,000)	1M	3M	6M
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Avg daily turnover (SAR)	28,418	33,807	43,760
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Avg Daily Volume (,000)	1,406	1,461	1,774
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52 week	High	Low	CTL*
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Price (SAR)	32.95	20.24	0.5
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\* CTL is % change in CMP to 52wk low

### Major shareholders

Saudi Agricultural a	39%
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Vanguard Group Inc/T	2.0%
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Dimensional Fund Adv	0.9%
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Others	58.5%
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### Other details

Exchange	Saudi Arabia
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Sector	Food
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Index weight (%)	0.2%
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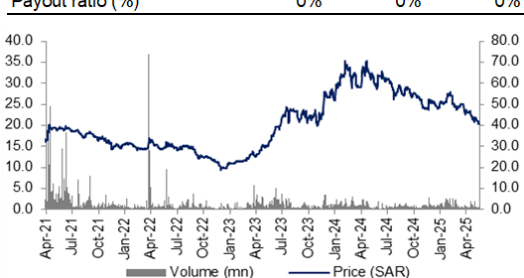
Key ratios	2022	2023	2024
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EPS (SAR)	0.45	1.00	2.57
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BVPS (SAR)	6.08	11.91	14.25
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DPS (SAR)	0.00	0.00	0.00
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Payout ratio (%)	0%	0%	0%
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## NADEC – Higher costs lead to margin contraction

NADEC reported its 1Q25 revenue at SAR 1bn, with a growth of 18% YoY, beating our estimate by 12%. The healthy revenue growth during the quarter was driven by increased sales in the agriculture and protein segments. We believe the company will focus on cost optimization in response to lower margins and remain committed to its long-term growth strategy.

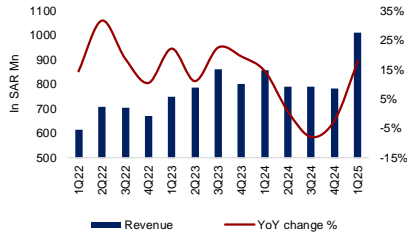
**Agri segment gains traction:** The agricultural revenue during the quarter grew significantly by 6x YoY to SAR 109mn, owing to increased sales volume and realization, thereby increasing its share of the overall revenue to 11% in 1Q25 (vs 2% in 1Q24). The protein segment revenue (9% of the topline) nearly doubled during the quarter, driven by strategic expansions, establishment of dedicated local slaughterhouses, and distribution networks. Further, investments in increased capacity by sourcing high-quality red meat from various countries aided sales. However, the dairy & food segment revenue, contributing 83% of the total revenue, grew by a modest 4% YoY in 1Q25.

**Elevated costs compress the margins:** The gross profit during the quarter remained flattish, with a meager growth of 1% YoY at SAR 326mn. Increase in direct costs (+28% YoY) at a rate faster than the revenue, primarily on account of change in product mix, was the main reason for this. Gross margin declined by 540bps YoY to 32.2% in 1Q25. The selling and marketing expenses for the quarter remained stable YoY, while the administrative expense was lower by 6% YoY on account of a decrease in employee costs. Impairment losses on trade receivables in 1Q25 rose to SAR 6mn (vs a loss of SAR 1mn in 1Q24) as a result of an increase in receivable balances. Also, other expenses during the quarter declined by 17% YoY. On the back of stable operating expenses, operating profit increased by a modest 2% YoY to SAR 99mn, though the EBIT margin declined by 150bps YoY to 9.8% in 1Q25. Consequently, the EBITDA margin too declined by 180bps YoY to 16.6% in 1Q25. During the quarter, treasury income rose by 17% YoY owing to an increase in deposits. Finance costs during the period decreased by 3% YoY owing to a reduction in debt levels. Overall, net income increased by a modest 2% YoY to SAR 103mn, as the growth in topline was restricted to a certain extent by higher direct cost and lower income from joint venture, as net margin declined by 160bps YoY to 10.2% in 1Q25.

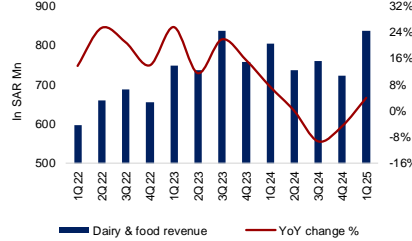
**Expansion plans underway to support long-term growth:** During the quarter, NADEC established a new multi-vertical distribution center in Riyadh with a storage capacity of 10k tons and a warehousing land area of 20k sqm. The facility is equipped with advanced technology to enhance logistics and streamline operations in order to support the company's expansion plans across various markets. Additionally, the company plans to produce value-added beef products by having its slaughterhouse. This is expected to be operational in 4Q25. Besides, in 1Q25 NADEC signed a joint venture with Hilton Foods for the processing and packaging of red meat. Also, the company's subsidiary, Al-Rai signed a financing agreement with the Agricultural Development Fund (ADF) towards the establishment of an intensive livestock farming project for breeding and meat production. NADEC is executing its greenhouse master plan by investing in facilities in Hail for fruit and vegetable production. Thia facility is currently in the design phase and is expected to be operational between 2Q26 and 2Q27 with a total plantation area of 20-35 hectares.

**Outlook and valuation:** NADEC remains steadfast in meeting the growing demand for its food and agricultural products through its world-class operational facility and logistical efficiency. The company expects to expand its market share by effectively engaging with the growth opportunities in the food sector locally, regionally, and globally. Based on the current results we have revised our revenue estimate upwards to SAR 3.56bn (vs SAR 3.4bn) and net profit to SAR 454mn (vs SAR 434mn). However, we remain cautious with the recent margin compression. Hence, we downgrade our target price to SAR 23.9/share (earlier levels of SAR 29.32/share), which provides an upside potential of 15%, and retain our BUY rating on the stock. The stock currently trades at 13.8x its 2025e EPS.

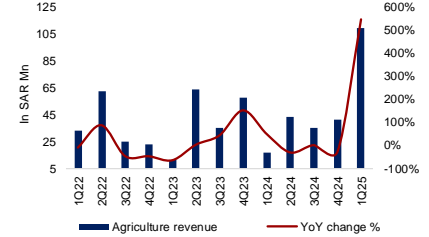
Revenue growth driven by agri & protein segments



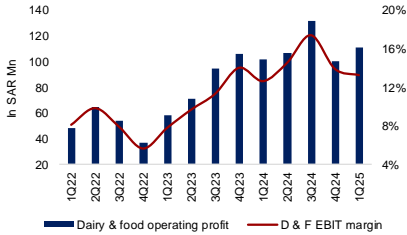
Dairy & food grew modestly on lower volumes



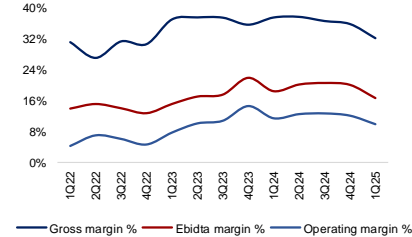
Agriculture revenue spikes on high sales volume



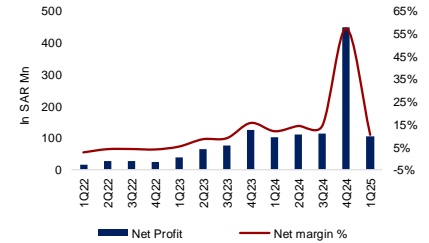
Dairy and food margins improves by 60bps YoY



Overall margins drops on higher direct costs



Rise in cost hinders profit growth



Income statement (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	2,272	2,694	3,197	3,220	3,558	3,886	4,261	4,666
Direct Costs	-1,641	-1,886	-2,013	-2,028	-2,298	-2,448	-2,663	-2,893
<b>Gross Profit</b>	<b>631</b>	<b>808</b>	<b>1,184</b>	<b>1,192</b>	<b>1,260</b>	<b>1,438</b>	<b>1,598</b>	<b>1,773</b>
Selling and marketing expenses	-484	-488	-560	-532	-554	-641	-703	-770
General and administrative expenses	-148	-139	-213	-235	-234	-272	-298	-327
Provisions on recievables/other	-152	-21	-73	-4	-9	4	4	5
Other Income / (expenses) - net	-58	-13	6	-32	-36	-39	-43	-47
<b>EBIT</b>	<b>-213</b>	<b>147</b>	<b>345</b>	<b>389</b>	<b>428</b>	<b>490</b>	<b>558</b>	<b>635</b>
<b>EBITDA</b>	<b>-1</b>	<b>375</b>	<b>572</b>	<b>636</b>	<b>703</b>	<b>902</b>	<b>973</b>	<b>1,025</b>
Share of results of joint venture	-	3	22	24	-	30	30	30
Finance costs	-32	-49	-76	-34	-37	-36	-35	-35
<b>PBT</b>	<b>-245</b>	<b>101</b>	<b>290</b>	<b>827</b>	<b>490</b>	<b>509</b>	<b>578</b>	<b>654</b>
Zakat	-40	-6	-14	-53	-36	-33	-38	-43
<b>Net Profit</b>	<b>-285</b>	<b>95</b>	<b>302</b>	<b>775</b>	<b>454</b>	<b>476</b>	<b>540</b>	<b>612</b>
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	2,613	2,658	2,719	2,796
Right-of-use assets	71	56	58	46	730	587	449	345
Biological assets	686	735	728	696	667	667	667	667
Other non current assets	178	203	149	302	336	336	336	336
<b>Total non-current assets</b>	<b>2,745</b>	<b>2,707</b>	<b>2,695</b>	<b>2,819</b>	<b>4,345</b>	<b>4,248</b>	<b>4,171</b>	<b>4,143</b>
Current inventories	452	516	560	662	689	734	799	868
Trade and other current receivables	288	371	464	472	498	544	597	653
Cash and bank balances	82	113	835	1,365	721	1,114	1,486	1,847
Other current assets	323	115	57	85	137	137	137	137
<b>Total current assets</b>	<b>1,145</b>	<b>1,115</b>	<b>2,415</b>	<b>2,885</b>	<b>2,045</b>	<b>2,530</b>	<b>3,018</b>	<b>3,506</b>
<b>TOTAL ASSETS</b>	<b>3,890</b>	<b>3,822</b>	<b>5,110</b>	<b>5,704</b>	<b>6,390</b>	<b>6,778</b>	<b>7,189</b>	<b>7,649</b>
Share capital	1,016	1,016	3,016	3,016	3,016	3,016	3,016	3,016
Reserves	210	223	233	164	164	164	164	164
Retained earnings	-30	56	344	1,116	1,571	1,865	2,167	2,509
<b>Total Equity attributable to shareholders</b>	<b>1,196</b>	<b>1,295</b>	<b>3,593</b>	<b>4,297</b>	<b>4,751</b>	<b>5,045</b>	<b>5,348</b>	<b>5,689</b>
Total equity	1,196	1,295	3,593	4,297	4,751	5,045	5,348	5,689
Murabaha loans and borrowings	1,150	893	98	2	2	2	2	2
Lease liabilities	45	39	35	26	28	27	25	23
Employee benefit obligation	163	153	148	131	234	272	298	327
Other non current liabilities	5	5	4	3	3	3	3	3
<b>Total non-current liabilities</b>	<b>1,364</b>	<b>1,090</b>	<b>284</b>	<b>162</b>	<b>267</b>	<b>304</b>	<b>328</b>	<b>355</b>
Trade and other current payables	714	678	775	823	919	979	1,065	1,157
Murabaha loans and borrowings	486	633	279	206	338	338	338	338
Lease liabilities	25	16	18	14	15	12	11	10
Other current liabilities	105	110	78	119	99	99	99	99
<b>Total current liabilities</b>	<b>1,330</b>	<b>1,437</b>	<b>1,232</b>	<b>1,245</b>	<b>1,371</b>	<b>1,428</b>	<b>1,513</b>	<b>1,604</b>
<b>Total liabilities</b>	<b>2,694</b>	<b>2,526</b>	<b>1,517</b>	<b>1,407</b>	<b>1,639</b>	<b>1,732</b>	<b>1,841</b>	<b>1,959</b>
<b>Total equity and liabilities</b>	<b>3,890</b>	<b>3,822</b>	<b>5,110</b>	<b>5,704</b>	<b>6,390</b>	<b>6,778</b>	<b>7,189</b>	<b>7,649</b>
Cash Flow (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	256	452	655	670	951	924	1,000	1,054
Investing cash flow	-325	-243	-757	82	-1,004	-233	-256	-280
Financing cash flow	82	-178	825	-221	-592	-297	-373	-412
Change in cash	13	31	722	531	-645	394	371	362
Beginning cash	69	82	113	835	1,365	721	1,114	1,486
<b>Ending cash</b>	<b>82</b>	<b>113</b>	<b>835</b>	<b>1,365</b>	<b>721</b>	<b>1,114</b>	<b>1,486</b>	<b>1,847</b>

Ratio Analysis	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<b>Per Share</b>								
EPS (SAR)	-2.8	0.9	1.0	2.6	1.5	1.6	1.8	2.0
BVPS (SAR)	11.8	12.7	11.9	14.2	15.8	16.7	17.7	18.9
DPS (SAR)	-	-	-	-	0.6	0.8	0.9	1.0
FCF per share (SAR)	-0.7	2.1	-0.3	2.5	-0.2	2.3	2.5	2.6
<b>Valuation</b>								
Market Cap (SAR Mn)	3,085	2,075	8,401	7,444	6,268	6,268	6,268	6,268
EV (SAR Mn)	4,710	3,544	7,995	6,326	5,931	5,533	5,158	4,794
EBITDA	-1	375	572	636	703	902	973	1,025
P/E (x)	-10.8	21.7	27.8	9.6	13.8	13.2	11.6	10.2
EV/EBITDA (x)	-	9.4	14.0	9.9	8.4	6.1	5.3	4.7
Price/Book (x)	2.6	1.6	2.3	1.7	1.3	1.2	1.2	1.1
Dividend Yield (%)			0.0%	0.0%	2.9%	3.8%	4.3%	4.9%
Price to sales (x)	1.4	0.8	2.6	2.3	1.8	1.6	1.5	1.3
EV to sales (x)	2.1	1.3	2.5	2.0	1.7	1.4	1.2	1.0
<b>Liquidity</b>								
Cash Ratio (x)	0.1	0.1	0.7	1.1	0.5	0.8	1.0	1.2
Current Ratio (x)	0.9	0.8	2.0	2.3	1.5	1.8	2.0	2.2
Quick Ratio (x)	0.5	0.4	1.5	1.8	1.0	1.3	1.5	1.6
<b>Returns Ratio</b>								
ROA (%)	-7.3%	2.5%	5.9%	13.6%	7.1%	7.0%	7.5%	8.0%
ROE (%)	-23.8%	7.4%	8.4%	18.0%	9.6%	9.4%	10.1%	10.8%
ROCE (%)	-11.1%	4.0%	7.8%	17.4%	9.1%	8.9%	9.5%	10.1%
<b>Cash Cycle</b>								
Inventory turnover (x)	3.6	3.7	3.6	3.1	3.3	3.3	3.3	3.3
Accounts Payable turnover (x)	2.3	2.8	2.6	2.5	2.5	2.5	2.5	2.5
Receivables turnover (x)	7.9	7.3	6.9	6.8	7.1	7.1	7.1	7.1
Inventory days	101	100	101	119	110	110	110	110
Payable Days	159	131	140	148	146	146	146	146
Receivables days	46	50	53	54	51	51	51	51
Cash Cycle	-12	19	14	25	15	15	15	15
<b>Profitability Ratio</b>								
Net Margins (%)	-12.5%	3.5%	9.4%	24.1%	12.8%	12.2%	12.7%	13.1%
EBITDA Margins (%)	0.0%	13.9%	17.9%	19.7%	19.8%	23.2%	22.8%	22.0%
PBT Margins (%)	-10.8%	3.8%	9.1%	25.7%	13.8%	13.1%	13.6%	14.0%
EBIT Margins (%)	-9.4%	5.5%	10.8%	12.1%	12.0%	12.6%	13.1%	13.6%
Effective Tax Rate (%)	-16.2%	5.9%	4.9%	6.3%	7.3%	6.5%	6.5%	6.5%
<b>Leverage</b>								
Total Debt (SAR Mn)	1,707	1,581	429	247	383	379	376	373
Net Debt (SAR Mn)	1,625	1,468	-406	-1,118	-337	-735	-1,110	-1,474
Debt/Equity (x)	1.4	1.2	0.1	0.1	0.1	0.1	0.07	0.07
Net Debt/Equity (x)	1.4	1.1	-0.1	-0.3	-0.1	-0.1	-0.2	-0.3

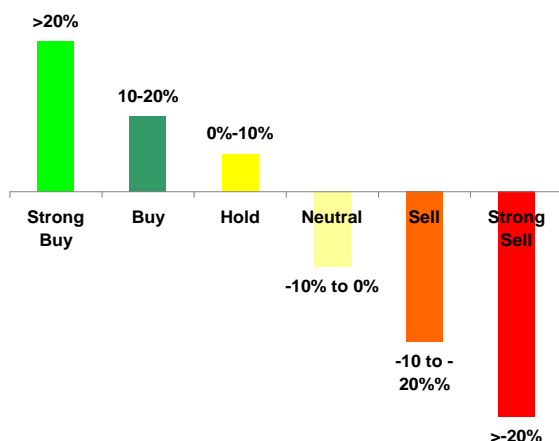
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## Rating Criteria and Definitions

### Rating



### Rating Definitions

<b>Strong Buy</b>	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%
<b>Buy</b>	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%
<b>Hold</b>	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%
<b>Neutral</b>	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%
<b>Sell</b>	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%
<b>Strong Sell</b>	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%
<b>Not rated</b>	This recommendation used for stocks which does not form part of Coverage Universe

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