Almarai Company

Sector : Food Retail

BUY

14 July 2026

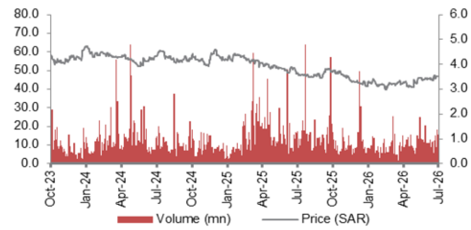
Target price (SAR)	**54.26**
Current price (SAR)	**46.50**
Return	**16.70%**

- **Revenue grew 11% YoY in 2Q26, beats our forecast by 4.5%, poultry segment outperforms at +20% YoY, while others remain stable in mid-single digits.**
- **Gross margin remains broadly in line, while pressure at the operating level drag net profit lower.**
- **Net profit reported at SAR 636mn, lower by 1.7% YoY and closer to our estimates.**
- **Our 2026 estimates and target price remain largely unchanged, retain BUY rating.**

Almarai reported consolidated revenue of SAR 6.2bn in 2Q26, representing growth of 11.0% YoY and exceeding our estimates by 4.5%. The outperformance was primarily driven by stronger-than-expected revenue growth in the poultry segment (+20.0% YoY), along with a meaningful contribution from the water business. The core Dairy and Juice segment maintained its market leadership and delivered revenue growth of 5.7% YoY during the quarter, while Bakery revenue increased by 7.5% YoY, broadly in line with recent trends. The geographical revenue mix remained stable, with Saudi Arabia contributing 65% of total revenue, followed by the GCC (excluding Saudi Arabia) at 21% and other international markets at 14%. Revenue from Saudi Arabia increased by 8.0% YoY, while Egypt delivered a robust 31.0% YoY growth. The UAE, Almarai's second-largest market, continued to face challenges arising from the ongoing regional conflict, resulting in a modest revenue increase of 2.0% YoY. For 1H26, the company reported consolidated revenue of SAR 12.0bn, reflecting growth of 8.8% YoY.

Gross profit increased by 6.5% YoY, lagging revenue growth due to higher freight, fuel, feed, and other input costs. Consequently, gross margin contracted by 131bps YoY during the quarter. We believe Almarai's ongoing efficiency initiatives have partially mitigated the pressure on margins and should continue to offset a portion of the elevated cost environment. In addition, the company has rebalanced its product mix and implemented selective price increases to preserve profitability. Operating margin declined by 248bps YoY, while EBITDA margin contracted by 363bps YoY during the quarter. Finance costs increased by 9.6% YoY; however, management reiterated that its major capital expenditure cycle has peaked and does not anticipate the need for significant additional borrowings in the near term. On a segmental basis, net margins declined in the Dairy and Juice business (-76bps YoY) and Poultry (-194bps YoY), while the Bakery segment recorded an improvement of 184bps YoY. Overall, consolidated net profit for 2Q26 stood at SAR 636mn, down 1.7% YoY but 3.5% above our estimate.

Valuation: The results during 2Q26 were broadly in line with our expectations. We had already factored in the margin compression considering the rising input costs. Almarai’s efforts to improve operational efficiency will help softening the margin compression going forward. However, we are also cognizant of the continuation of the geo-political impasse that can lead to a longer than expected disruption in the supply chain and keep costs higher. We believe cash flows will improve as capex starts waning down. Based on the latest results, we broadly retain our full-year 2026e revenue and profit forecasts. We also keep our target price at SAR 54.26 per share, implying an upside of 16.7% and accordingly we provide a BUY rating.



Exchange	Saudi Arabia
Index weight (%)	2.0%

(mn)	SAR	USD
Market Cap	46,760	12,625
Enterprise value	59,534	16,074

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)	17.9
P/Book (x)	2.2
EV/EBITDA (x)	10.4
Dividend Yield (%)	2.6
Free Float (%)	55%
Shares O/S (mn)	1,000
YTD Return (%)	8%
Beta	0.8

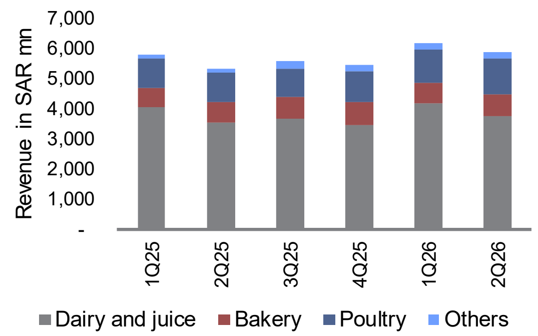
Key ratios	2023	2024	2025
EPS (SAR)	2.05	2.31	2.46
BVPS (SAR)	17.81	18.79	20.53
DPS (SAR)	1.00	1.00	1.15
Payout ratio (%)	49%	43%	47%

Price performance (%)	1M	3M	12M
Almarai	2%	9%	-3%
Tadawul All Share Index	-2%	-4%	-4%

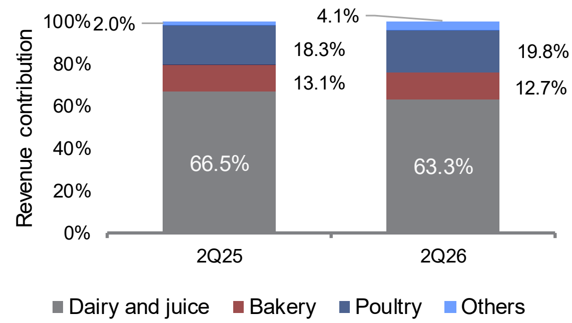
52 week	High	Low	CTL*
Price (SAR)	54.05	38.18	22.5

* CTL is % change in CMP to 52wk low

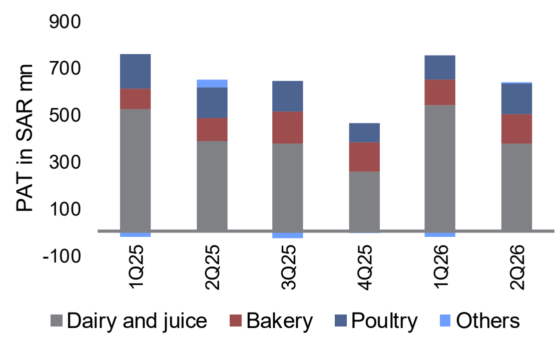
Revenue growth in 2Q26 satisfactory at 11% YoY



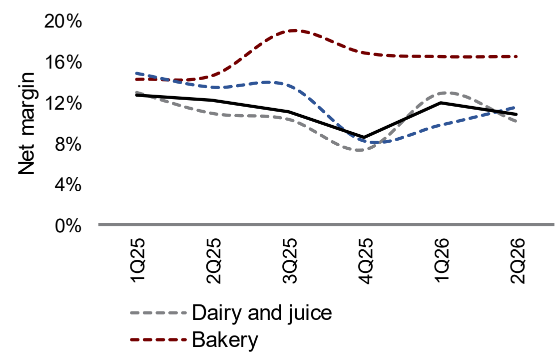
Non core segment revenue growing faster



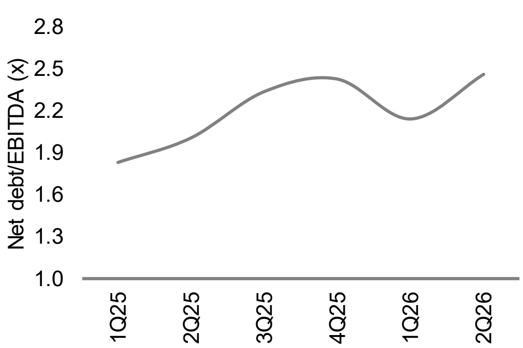
Bottom line impacted by higher costs (-1.7% YoY)



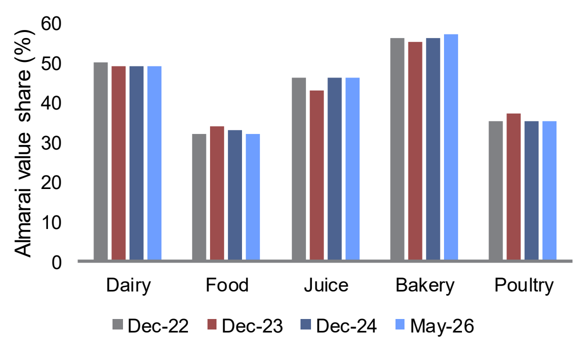
Margin pressure evident during the quarter



Leverage rises but capex peaked out



Leadership position continues 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	23,758	25,150	26,664	28,822
Direct Costs	-13,098	-13,524	-14,315	-15,177	-16,549	-17,218	-18,254	-19,731
Gross Profit	**5,624**	**6,051**	**6,664**	**6,888**	**7,209**	**7,932**	**8,410**	**9,090**
Selling and marketing expenses	-2,710	-2,790	-2,994	-3,231	-3,281	-3,773	-4,000	-4,323
General and administrative expenses	-459	-469	-508	-561	-572	-629	-667	-721
Impairment losses on financial assets	-26	-34	-63	-15	-50	-25	-27	-29
Other expenses	-153	-64	-103	-20	-104	25	27	29
EBIT	**2,276**	**2,694**	**2,995**	**3,060**	**3,202**	**3,531**	**3,744**	**4,047**
EBITDA	**4,689**	**5,155**	**5,435**	**5,564**	**5,679**	**6,241**	**6,599**	**7,022**
Share of results of joint venture	1	-1	-2	-1	0	0	0	0
Finance costs	-428	-527	-530	-463	-517	-533	-517	-437
PBT	1,849	2,166	2,463	2,596	2,685	2,998	3,226	3,609
Zakat and tax	-71	-114	-150	-139	-139	-150	-161	-180
Net Profit	**1,778**	**2,052**	**2,314**	**2,457**	**2,546**	**2,848**	**3,065**	**3,429**

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	27,883	29,809	31,049	31,176
Right-of-use assets	499	474	504	552	560	574	592	618
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	1,880	1,812	1,748	1,696
Other non current assets	624	592	560	542	508	474	440	406
Total non-current assets	**23,947**	**24,739**	**26,784**	**30,575**	**32,443**	**34,281**	**35,442**	**35,508**
Inventories	5,237	6,148	5,684	6,006	6,454	6,715	7,119	7,695
Trade recievables	2,156	2,564	2,422	2,696	3,564	3,018	3,200	3,459
Other current assets	186	2,076	150	166	175	175	175	175
Cash and Cash Equivalents	547	666	528	523	483	455	657	661
Total current assets	**8,127**	**11,455**	**8,784**	**9,392**	**10,675**	**10,363**	**11,150**	**11,989**
TOTAL ASSETS	**32,074**	**36,194**	**35,568**	**39,967**	**43,119**	**44,643**	**46,593**	**47,497**
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	10,500	12,198	14,113	16,392
Non-controlling assets	312	11	0	-0	1	1	1	1
Total equity	**16,983**	**17,809**	**18,791**	**20,527**	**21,924**	**23,622**	**25,537**	**27,816**
Loans and Borrowings	8,449	8,499	8,900	10,952	12,451	11,951	11,451	9,951
Lease liabilities	392	369	398	442	442	442	442	442
Employee retirement benefits	1,057	1,226	1,397	1,584	1,430	1,572	1,667	1,801
Other non current liabilities	110	104	244	69	74	4	4	4
Total non-current liabilities	**10,008**	**10,199**	**10,938**	**13,048**	**14,398**	**13,969**	**13,564**	**12,199**
Loans and borrowings	1,065	3,529	1,230	1,520	1,281	1,381	1,481	981
Lease liabilities	75	81	87	108	108	108	108	108
Trade and other payables	3,656	4,246	4,049	4,415	4,965	5,165	5,476	5,919
Other current liabilities	288	331	472	349	444	398	427	474
Total current liabilities	**5,083**	**8,187**	**5,839**	**6,392**	**6,797**	**7,052**	**7,491**	**7,482**
Total liabilities	**15,091**	**18,385**	**16,777**	**19,440**	**21,195**	**21,021**	**21,055**	**19,681**
Total equity and liabilities	**32,074**	**36,194**	**35,568**	**39,967**	**43,119**	**44,643**	**46,593**	**47,497**

Cash Flow (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	3,830	4,483	6,028	5,463	5,119	6,576	6,163	6,450
Investing cash flow	-1,988	-5,180	-2,622	-5,966	-4,168	-4,412	-3,878	-2,895
Financing cash flow	-1,861	821	-3,539	495	-991	-2,192	-2,083	-3,551
Change in cash	-34	119	-137	-5	-40	-28	202	4
Beginning cash	580	546	666	528	523	483	455	657
Ending cash	**546**	**666**	**528**	**523**	**483**	**455**	**657**	**661**

Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	1.8	2.1	2.3	2.5	2.5	2.8	3.1	3.4
BVPS (SAR)	17.0	17.8	18.8	20.5	21.9	23.6	25.5	27.8
DPS (SAR)	1.0	1.0	1.0	1.2	1.2	1.2	1.2	1.2
FCF per share (SAR)	1.8	-0.7	3.4	-0.5	1.0	2.2	2.3	3.6
Valuation								
Market Cap (SAR Mn)	53,300	56,200	57,200	43,260	46,500	46,500	46,500	46,500
EV (SAR Mn)	62,903	66,336	67,633	56,017	60,648	60,302	59,729	57,772
EBITDA	4,689	5,155	5,435	5,564	5,679	6,241	6,599	7,022
P/E (x)	30.0	27.4	24.7	17.6	18.3	16.3	15.2	13.6
EV/EBITDA (x)	13.4	12.9	12.4	10.1	10.7	9.7	9.1	8.2
Price/Book (x)	3.1	3.2	3.0	2.1	2.1	2.0	1.8	1.7
Dividend Yield (%)	1.9%	1.8%	1.7%	2.7%	2.5%	2.5%	2.5%	2.5%
Price to sales (x)	2.8	2.9	2.7	2.0	2.0	1.8	1.7	1.6
EV to sales (x)	3.4	3.4	3.2	2.5	2.6	2.4	2.2	2.0
Liqiudity								
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	1.6	1.5	1.5	1.6
Quick Ratio (x)	0.6	0.6	0.5	0.5	0.6	0.5	0.5	0.6
Returns Ratio								
ROA (%)	5.5%	5.7%	6.5%	6.1%	5.9%	6.4%	6.6%	7.2%
ROE (%)	10.5%	11.5%	12.3%	12.0%	11.6%	12.1%	12.0%	12.3%
ROCE (%)	6.6%	7.3%	7.8%	7.3%	7.0%	7.6%	7.8%	8.6%
Cash Cycle								
Inventory turnover (x)	2.5	2.2	2.5	2.5	2.6	2.6	2.6	2.6
Accounts Payable turnover (x)	3.6	3.2	3.5	3.4	3.3	3.3	3.3	3.3
Receivables turnover (x)	8.7	7.6	8.7	8.2	6.7	8.3	8.3	8.3
Inventory days	146	166	145	144	142	142	142	142
Payable Days	2.4	0.0	1.3	0.4	0.4	0.4	0.3	0.3
Receivables days	42	48	42	45	55	44	44	44
Cash Cycle	186	214	186	189	197	186	186	186
Profitability Ratio								
Net Margins (%)	9.5%	10.5%	11.0%	11.1%	10.7%	11.3%	11.5%	11.9%
EBITDA Margins (%)	25.0%	26.3%	25.9%	25.2%	23.9%	24.8%	24.7%	24.4%
PBT Margins (%)	9.9%	11.1%	11.7%	11.8%	11.3%	11.9%	12.1%	12.5%
EBIT Margins (%)	12.2%	13.8%	14.3%	13.9%	13.5%	14.0%	14.0%	14.0%
Effective Tax Rate (%)	3.8%	5.3%	6.1%	5.4%	5.2%	5.0%	5.0%	5.0%
Leverage								
Total Debt (SAR Mn)	10,149	12,728	10,961	13,280	14,631	14,257	13,885	11,933
Net Debt (SAR Mn)	9,603	10,136	10,433	12,757	14,148	13,802	13,229	11,272
Debt/Equity (x)	0.6	0.7	0.6	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	2.0	2.0	1.9	2.3	2.5	2.2	2.0	1.6

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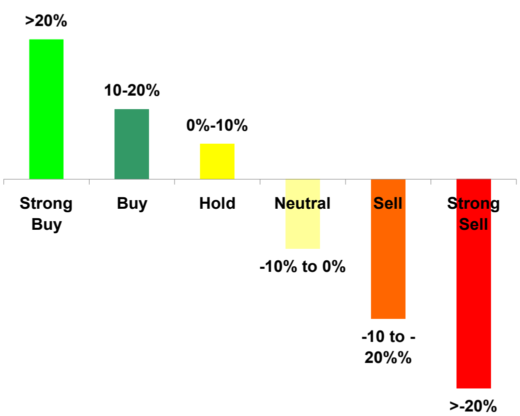
Rating Criteria and Definitions

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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