

Summary of our ratings

Stock	Current Rating	TP	CMP	Upside/downside
NADEC	OW	25	21.30	17.4%
Almarai	N	50	47.02	6.3%
SADAFCO	N	280	273.60	2.3%

Source: Company data, Al Rajhi Capital Estimates. OW: Overweight, N: Neutral. CMP: closing of 26 August 2025

Update on Dairy Companies

Neutral Maintained Unless Milk Prices Increase

- We update our investment case for dairy companies, with an Overweight rating on NADEC, while maintaining our Neutral rating on Almarai & SADAFCO
- Our Overweight rating on NADEC is based on 1) undemanding forward P/E multiple of 14.6x, and 2) multiple upside triggers (such as significant impact of increase in milk prices; as highlighted below)
- We remain Neutral on Almarai, as we opine that 6.4% earnings CAGR is largely incorporated in the forward P/E multiple of 18.4x. Furthermore, we opine that the recent acquisition of Pure Beverages would be earnings dilutive (while not yet reflected in our estimates, we believe it would reduce our 2H25 earnings by ~3%)
- Finally, we are Neutral on SADAFCO as we opine that the forward P/E multiple of 18.7x largely incorporates the 3.3% adjusted earnings CAGR.

Comparison Table:

		NADEC	Almarai	SADAFCO
2026 Summary Financials				
Revenue	SAR Mn	3,495	22,969	3,263
Gross Profit	"	1,253	7,240	1,117
EBITDA	"	748	5,975	582
Net Income	"	439	2,551	468
EPS	SAR/sh	1.46	2.55	14.64
DPS	"	0.25	1.00	15.00
Gross Margin 2026	%	35.8%	31.5%	34.2%
EBITDA Margin 2026	"	21.4%	26.0%	17.8%
Revenue CAGR (2025 to 2030)	%	2.0%	4.6%	3.3%
Earnings CAGR (2025 to 2030)*	"	2.7%	6.4%	3.3%
2026 Forward P/E	Multiple	14.6	18.4	18.7
2026 Forward P/S	"	1.8	2.0	2.7
2026 Forward D/Y	%	1.2%	2.1%	5.5%
Average ROE (2025 to 2030)*	"	8.8%	13.2%	28.2%
Debt/Asset 2026	%	4.4%	28.3%	-
Debt/Equity 2026	"	6.0%	53.2%	-
Fair Value	SAR/sh	25.00	50.00	280.00
Market Price	"	21.30	47.02	273.60
Upside/downside	%	17.4%	6.3%	2.3%

Source: Company data, Al Rajhi Capital Estimates. Note: Earnings CAGR (2025 to 2030) and Average ROE (2025 to 2030) for SADAFCO is adjusted by SAR 108.15mn for the gain from the sale of a plot of land in 2025

Company/Rating	Detail of DCF Valuation	Rational for Recommendation
NADEC (Overweight)	CoE of 10% and Terminal Growth rate of 2.5%. Despite the significant cash balance, we use a 2.5% terminal growth rate on account of limited visibility on utilization of Cash.	<ul style="list-style-type: none"> • Undemanding forward P/E multiple of 14.6x • Upside potential from effective utilization of ~SAR 2bn cash on the company's balance sheet • Having the first mover advantage if sale of red meat is only allowed in packaged form (similar to poultry) • Upside from increase in fresh milk sales through increase in numeric distribution (rather than selling the fresh milk in long-life packaging) • Being the biggest beneficiary of any increase in milk prices. As per our back-of-the-envelope calculation, a 50 halalas increase in milk prices would increase NADEC's 2026 earnings by ~50%.
Almarai (Neutral)	CoE of 10% and Terminal growth rate of 2.5%.	<ul style="list-style-type: none"> • Company's 5-year earnings CAGR of 6.4% is largely being incorporated in the forward P/E multiple of 18.4x • Furthermore, we opine that the recent acquisition of Pure Beverages would be earnings dilutive. While we have not incorporated this acquisition in our estimate, we believe it would reduce our 2H25 earnings by ~3% (since the SAR 500mn entity is currently in losses and the SAR 1bn acquisition was largely financed by debt) • However, having a diversified portfolio in which price increase is much more palatable (as compared to increase in milk prices) allows for more confidence in long-term sustainability of gross margins • Furthermore, as per our understanding Almarai has pricing power in the milk category (on the back of its large scale) and even a 50 halalas increase in milk prices can be expected to increase our 2026 earnings for the company by ~15%.
SADAFCO (Neutral)	CoE of 10% and Terminal Growth rate of 2.5%	<ul style="list-style-type: none"> • Company's 5-year earnings CAGR of 3.3% is largely being incorporated in the forward P/E multiple of 18.7x • However, it is pertinent to highlight that there are multiple upside triggers (such as reduction in A&P spend, increase in milk prices, and sale of unutilized/low-ROE assets) that can warrant an upward increase in our fair value • As per our calculations, if company reduces its A&P spend back to historical levels (ceteris paribus) this can increase our 2026 earnings for the company by ~15% • Similarly, every 50 halalas increase in milk prices can be expected to increase our 2026 earnings for the company by ~35% • Finally, given that the company does not buy SMP from Mlekoma (hence it is not critical for its supply chain security) and given that Mlekoma does not have a material contribution to SADAFCO's bottom-line, there is a possibility that this asset can be disposed-off in the future leading the way for higher one-time cash payout

Source: Company data, Al Rajhi Capital Estimates.

NADEC's Financials

Figure 1 Income Statement

SAR mn	2024	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	3,220	3,493	3,495	3,585	3,678	3,768	3,851
<i>y-o-y growth</i>	0.7%	8.5%	0.1%	2.6%	2.6%	2.4%	2.2%
Cost of Sales	(2,028)	(2,255)	(2,242)	(2,316)	(2,401)	(2,466)	(2,526)
Gross Profit	1,192	1,237	1,253	1,269	1,277	1,301	1,325
<i>y-o-y growth</i>	0.7%	3.8%	1.2%	1.3%	0.7%	1.9%	1.9%
<i>margins</i>	37.0%	35.4%	35.8%	35.4%	34.7%	34.5%	34.4%
Selling and Distribution Expense	(532)	(550)	(545)	(553)	(562)	(572)	(584)
Admin Expense	(235)	(236)	(238)	(242)	(248)	(254)	(260)
Impairment for trade receivables	3	(16)	(12)	(12)	(12)	(13)	(13)
Impairment for PPE	(7)	-	-	-	-	-	-
Net other income	(32)	(19)	(20)	(20)	(20)	(20)	(20)
Operating Profit	389	417	437	441	434	443	449
<i>y-o-y growth</i>	14.3%	7.2%	4.8%	1.0%	-1.6%	1.9%	1.4%
<i>margins</i>	12.1%	11.9%	12.5%	12.3%	11.8%	11.7%	11.7%
Financial costs	(34)	(45)	(44)	(43)	(43)	(44)	(44)
Financial income	91	102	95	100	113	124	134
Share of results of joint venture	381	-	-	-	-	-	-
JV with United Feed	-	(2)	(7)	(5)	2	2	2
Net Income before Zakat	827	473	481	493	506	525	540
Zakat	(53)	(40)	(42)	(42)	(43)	(45)	(46)
Net Income	775	433	439	451	463	480	494
Adj. Net Income*	418	433	439	451	463	480	494
<i>y-o-y growth</i>	38.4%	3.5%	1.4%	2.8%	2.6%	3.7%	2.9%
<i>margins</i>	13.0%	12.4%	12.6%	12.6%	12.6%	12.8%	12.8%
EPS*	1.39	1.44	1.46	1.50	1.54	1.59	1.64

Source: Company Data, Al Rajhi Capital estimates. Note: *Net Income and EPS for 2024 are adjusted by SAR 356.5mn for the gain from the reclassification of Arabian Mills

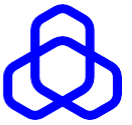


Figure 2 **Balance Sheet**

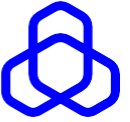
SAR mn	2024	2025E	2026E	2027E	2028E	2029E	2030E
Cash and cash equivalents	1,665	2,144	2,335	2,675	2,983	3,221	3,466
Inventories	662	573	589	635	656	676	692
Biological assets	85	96	96	96	96	96	96
Trade and other receivables	472	446	458	491	502	516	528
Current Assets	2,885	3,259	3,477	3,897	4,238	4,509	4,782
PPE & Biological assets	2,471	2,552	2,738	2,674	2,619	2,574	2,537
Intangible assets	27	24	24	24	24	24	24
Right-of-use assets	46	284	274	264	254	244	234
Investments	276	372	372	372	372	372	372
Total Assets	5,704	6,491	6,885	7,231	7,507	7,723	7,949
Trade and other payables	823	859	883	920	951	980	1,003
Loans	206	300	300	300	300	300	300
Lease liabilities	14	57	58	60	61	63	65
Others	202	165	165	165	165	165	165
Current Liabilities	1,245	1,381	1,407	1,445	1,478	1,508	1,534
Lease liabilities	26	227	233	239	246	252	260
Murabaha loans and borrowings	2	-	-	-	-	-	-
Others	135	212	212	212	212	212	212
Total liabilities	1,407	1,820	1,851	1,896	1,935	1,972	2,005
Share capital	3,016	3,016	3,016	3,016	3,016	3,016	3,016
Retained earnings	1,116	1,743	2,107	2,407	2,644	2,823	3,016
Others	164	(89)	(89)	(89)	(89)	(89)	(89)
Total equity	4,297	4,671	5,034	5,335	5,572	5,751	5,944
Total Liabilities & Equity	5,704	6,491	6,885	7,231	7,507	7,723	7,949

Source: Company Data, Al Rajhi Capital estimates

Figure 3 **Ratios and Multiples**

	2024	2025E	2026E	2027E	2028E	2029E	2030E
(Debt & Lease) /Asset	4.3%	9.0%	8.6%	8.3%	8.1%	8.0%	7.9%
ROE*	10.6%	9.7%	9.0%	8.7%	8.5%	8.5%	8.5%
P/E*	15.4x	14.8x	14.6x	14.2x	13.9x	13.4x	13.0x
P/S	2.0x	1.8x	1.8x	1.8x	1.7x	1.7x	1.7x
D/Y	-	-	1.2%	2.3%	3.5%	4.7%	4.7%
EV/EBITDA	7.9x	6.8x	6.3x	5.7x	5.4x	5.1x	4.8x

Source: Company Data, Al Rajhi Capital estimates. Note: *ROE and P/E for 2024 are adjusted by SAR 356.5mn for the gain from the reclassification of Arabian Mills



Almarai's Financials

Figure 4 Income Statement

SAR mn	2024	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	20,980	21,905	22,969	24,089	25,432	26,629	27,481
<i>y-o-y growth</i>	7.2%	4.4%	4.9%	4.9%	5.6%	4.7%	3.2%
Cost of Sales	(14,315)	(15,038)	(15,729)	(16,501)	(17,421)	(18,241)	(18,825)
Gross Profit	6,664	6,867	7,240	7,588	8,011	8,388	8,657
<i>y-o-y growth</i>	10.1%	3.0%	5.4%	4.8%	5.6%	4.7%	3.2%
<i>margins</i>	31.8%	31.3%	31.5%	31.5%	31.5%	31.5%	31.5%
Selling expenses	(2,994)	(3,140)	(3,265)	(3,445)	(3,637)	(3,808)	(3,930)
Admin expenses	(508)	(530)	(556)	(578)	(610)	(639)	(660)
Other expenses	(63)	(29)	(60)	(65)	(65)	(65)	(65)
Impairment on financial assets	(103)	(69)	(89)	(86)	(91)	(96)	(100)
Operating Profit	2,995	3,099	3,271	3,415	3,607	3,780	3,902
<i>y-o-y growth</i>	11.2%	3.5%	5.6%	4.4%	5.7%	4.8%	3.2%
<i>margins</i>	14.3%	14.1%	14.2%	14.2%	14.2%	14.2%	14.2%
Finance Cost, net	(530)	(500)	(548)	(468)	(427)	(399)	(363)
Share of results of Associates & JV	(2)	(2)	(1)	(1)	(1)	(1)	(1)
Net Income before Zakat	2,463	2,597	2,722	2,946	3,180	3,380	3,538
Zakat	(150)	(162)	(170)	(177)	(191)	(203)	(212)
Net Income	2,314	2,435	2,551	2,769	2,989	3,177	3,326
Equity holders - Net Income*	2,313	2,434	2,551	2,768	2,988	3,176	3,325
<i>y-o-y growth</i>	12.9%	5.2%	4.8%	8.5%	7.9%	6.3%	4.7%
<i>margins</i>	11.0%	11.1%	11.1%	11.5%	11.7%	11.9%	12.1%
EPS	2.31	2.43	2.55	2.77	2.99	3.18	3.32

Source: Company Data, Al Rajhi Capital estimates. Check *Net income attributable to equity holders

Figure 5 **Balance Sheet**

SAR mn	2024	2025E	2026E	2027E	2028E	2029E	2030E
Cash	528	397	490	461	518	486	554
Accounts Receivables	2,422	2,650	2,741	2,970	3,127	3,283	3,388
Inventories	5,684	5,960	6,107	6,555	6,902	7,246	7,478
Biological Assets	137	159	159	159	159	160	160
Others	13	4	4	4	4	4	4
Current Assets	8,784	9,169	9,501	10,150	10,710	11,179	11,584
PPE & Intangible	23,881	26,327	27,038	26,689	26,318	25,926	25,507
Biological Assets	1,838	1,824	1,828	1,831	1,834	1,835	1,836
RoU asset	504	480	460	440	420	400	380
Long-Term Prepayments	525	497	470	443	416	389	362
Others	35	38	38	38	38	38	38
Total Assets	35,568	38,335	39,334	39,590	39,734	39,766	39,706
Loans & Bank Overdrafts	1,283	1,300	1,150	1,200	1,000	1,000	1,000
Lease Liabilities	87	82	79	75	72	68	65
Trade and Other Payables	4,049	4,727	4,844	5,199	5,474	5,747	5,931
Others	420	365	365	365	365	365	365
Current Liabilities	5,839	6,474	6,437	6,839	6,910	7,180	7,361
Long-Term Loans	8,900	10,500	10,000	8,500	8,000	7,150	6,250
Lease Liabilities	398	374	358	342	327	311	296
Others	1,640	1,567	1,567	1,567	1,567	1,567	1,567
Total Liabilities	16,777	18,915	18,363	17,249	16,805	16,209	15,474
Share Capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Retained Earnings	7,674	8,113	9,664	11,033	11,622	12,249	12,925
Others	1,117	1,307	1,307	1,307	1,307	1,307	1,307
Total equity	18,791	19,420	20,972	22,341	22,930	23,557	24,232
Total Liabilities & Equity	35,568	38,335	39,334	39,590	39,734	39,766	39,706

Source: Company Data, Al Rajhi Capital estimates

Figure 6 **Ratios and Multiples**

	2024	2025E	2026E	2027E	2028E	2029E	2030E
(Debt & Lease) /Asset	30.0%	32.0%	29.5%	25.6%	23.7%	21.4%	19.2%
ROE	12.6%	12.7%	12.6%	12.8%	13.2%	13.7%	13.9%
P/E	20.3x	19.3x	18.4x	17.0x	15.7x	14.8x	14.1x
P/S	2.2x	2.1x	2.0x	2.0x	1.8x	1.8x	1.7x
D/Y	2.1%	2.1%	2.1%	3.0%	5.1%	5.4%	5.6%
EV/EBITDA	10.5x	10.4x	9.7x	9.3x	8.9x	8.5x	8.2x

Source: Company Data, Al Rajhi Capital estimates.

SADAFCO's Financials

Figure 7 Income Statement

SAR mn	2024	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	2,963	3,161	3,263	3,400	3,515	3,618	3,725
<i>y-o-y growth</i>	6.6%	6.7%	3.2%	4.2%	3.4%	2.9%	2.9%
Cost of Sales	(1,904)	(2,064)	(2,146)	(2,232)	(2,306)	(2,368)	(2,432)
Gross Profit	1,059	1,097	1,117	1,168	1,209	1,250	1,293
<i>y-o-y growth</i>	11.2%	3.6%	1.9%	4.5%	3.5%	3.4%	3.4%
<i>margins</i>	35.7%	34.7%	34.2%	34.3%	34.4%	34.6%	34.7%
Selling & Distribution expense	(484)	(509)	(521)	(534)	(549)	(561)	(576)
Admin expense	(112)	(123)	(128)	(134)	(139)	(143)	(147)
Impairment of trade receivables	3	4	-	-	-	-	-
Other income	2	111	2	2	2	2	2
Operating Profit	468	580	470	502	524	548	572
<i>y-o-y growth</i>	8.7%	23.8%	-18.9%	6.7%	4.3%	4.7%	4.4%
<i>margins</i>	15.8%	18.3%	14.4%	14.8%	14.9%	15.2%	15.4%
Finance income	50	37	30	28	26	26	24
Finance expense	(11)	(7)	(8)	(7)	(7)	(7)	(7)
Net Income before Zakat	507	610	492	523	543	567	590
Zakat	(24)	(24)	(24)	(26)	(27)	(28)	(29)
Net Income	483	585	468	496	516	538	560
Equity holders - Net Income*	484	477	468	496	516	538	560
<i>y-o-y growth</i>	15.7%	-1.3%	-1.9%	6.0%	3.9%	4.4%	4.1%
<i>margins</i>	16.3%	15.1%	14.4%	14.6%	14.7%	14.9%	15.0%
EPS*	15.12	14.91	14.64	15.51	16.11	16.82	17.51

Source: Company Data, Al Rajhi Capital estimates. Note: *Net income attributable to equity holders and EPS for 2025E are adjusted by SAR 108.15mn for the gain from the sale of a plot of land

Figure 8 **Balance Sheet**

SAR mn	2024	2025E	2026E	2027E	2028E	2029E	2030E
Cash and investments	691	733	698	631	616	591	556
Account receivables	289	323	338	373	384	396	408
Inventories	456	484	505	550	567	584	600
Others	73	63	63	63	63	63	63
Current Assets	1,509	1,604	1,604	1,617	1,630	1,634	1,627
PPE & Intangible	1,003	1,023	1,023	1,023	1,023	1,023	1,023
RoU Assets	53	52	52	52	52	52	52
Long-term Investments	87	38	38	38	38	38	38
Total Assets	2,652	2,717	2,717	2,730	2,743	2,747	2,740
Accounts payable	252	323	337	367	378	389	400
Lease liabilities	10	8	7	7	7	7	6
Others	381	350	350	350	350	350	350
Current Liability	643	681	694	724	735	746	756
Lease liabilities	43	44	42	41	40	38	37
Others	158	166	166	166	166	166	166
Total Liability	845	891	903	931	941	950	959
Share Capital	325	325	325	325	325	325	325
Retained earnings	1,551	1,560	1,549	1,533	1,537	1,531	1,515
Reserve	(69)	(59)	(59)	(59)	(59)	(59)	(59)
Total equity	1,807	1,826	1,814	1,799	1,803	1,797	1,781
Total Liabilities & Equity	2,652	2,717	2,717	2,730	2,743	2,747	2,740

Source: Company Data, Al Rajhi Capital estimates

Figure 9 **Ratios and Multiples**

	2024	2025E	2026E	2027E	2028E	2029E	2030E
(Debt & Lease) /Asset	3.5%	3.2%	3.1%	3.0%	2.9%	2.8%	2.7%
ROE*	26.1%	26.3%	25.7%	27.5%	28.6%	29.9%	31.3%
P/E*	18.1x	18.3x	18.7x	17.6x	17.0x	16.3x	15.6x
P/S	3.0x	2.8x	2.7x	2.6x	2.5x	2.4x	2.4x
D/Y	5.5%	5.5%	5.5%	5.8%	5.8%	6.2%	6.6%
EV/EBITDA	13.9x	11.7x	13.9x	13.3x	12.9x	12.4x	12.0x

Source: Company Data, Al Rajhi Capital estimates. Note: *ROE and P/E for 2025E are adjusted by SAR 108.15mn for the gain from the sale of a plot of land

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