National Agricultural Development Company

Sector : FMCG

HOLD

31 August 2026

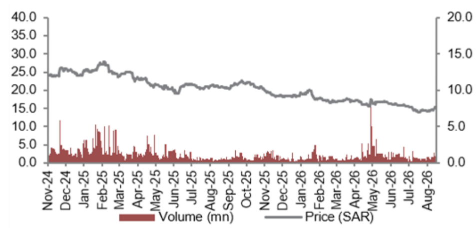
- **Revenue up 5.5% YoY in 2Q26, driven by the Protein & Agri segments.**
- **Overall margins declined YoY and fell short of expectations.**
- **Profit down by 44% YoY, underperforming our forecast.**
- **We retain our revenue forecast of SAR 3.6bn and reduce profit to SAR 315mn for 2026e. We lower our target price to SAR 16.50 and retain our HOLD rating.**

National Agricultural Development Company (NADEC) reported 2Q26 revenue of SAR 876mn, up 5.5% YoY and broadly in line with our estimate. Revenue for 1H26, declined 2.6% YoY to SAR 1.79bn. Growth during the quarter was driven by strong performance in the protein and agriculture segments, partially offset by a slight decline in the dairy & food segment. The protein segment, accounting 13.5% of revenue, doubled YoY, driven by higher primal cut sales following the commissioning and commencement of operations at the Haradh slaughterhouse during the quarter. Agricultural revenue grew 27% YoY as the company progressed with its technology enabled Agri Park in Hail, as part of its strategy to develop high-tech greenhouses, controlled environments, water-efficient production, NSPC seed and tissue culture capabilities, improved genetics and higher value produce. The dairy and food segment, which represents 84% of revenue, declined modestly by 2.3% YoY, reflecting weaker demand for fresh milk and a shift toward lower-priced processed milk products.

Gross margin contracted 920bps YoY to 28.5% in 2Q26, as direct costs outpaced revenue, rising 21% YoY due to higher feed and feeding material costs, shipping costs and surcharges related to regional maritime disruptions. Net operating expenses decreased 16% YoY during the quarter, supported by a one-off reversal of impairment losses on trade receivables amounting to SAR 32.8mn, along with a SAR 9.16mn increase in other income driven by higher dividend income and scrap sales. However, the lower gross margin resulted in EBIT and EBITDA margins narrowing by 420bps and 380bps YoY to 9% and 18.6% respectively. Treasury income declined 35% YoY due to reduced cash balances, while joint ventures posted a SAR 9mn loss in 2Q26. Finance costs remained broadly stable YoY, supported by lower debt levels, although lease-related interest expenses increased. Consequently, net income declined 44% YoY to SAR 65mn, with net margin contracting 650bps YoY to 7.4%. Net profit came in 31% below our forecast due to higher-than-expected costs and lower than expected non-operating income. Accordingly, margins across the board underperformed our expectations. For 1H26, profit declined 27.6% YoY to SAR 158mn.

Valuation and outlook: NADEC continues to focus on its broader food platform strategy, with dairy remaining the company's core business, while protein and agriculture are become increasingly meaningful contributors to growth. The company plans to strengthen the dairy and food segment through innovation, improved product availability, new SKUs and disciplined route-to-market execution. During the period, NADEC acquired full ownership of Alraie National Livestock Company, expanding its red meat platform into goat and sheep products. The integration of Alraie, together with the operational readiness of the Haradh slaughterhouse and the Hilton Foods JV will support the launch of branded retail-ready packaged red meat products, which remain on track to reach retail shelves by year-end 2026. NADEC expects the higher than usual cost environment to moderate as the regional operating environment normalizes. While revenue was broadly in line with our expectations, profitability and overall margins fell short. Based on current results, we retain our 2026e revenue forecast of SAR 3.6bn, while reduce net profit to SAR 315mn (from SAR 379mn). Accordingly, we lower our target price to SAR 16.5/share (from SAR 18), implying a 7.7% upside from current levels and retain our HOLD rating. The stock is currently trading at 14.6x its 2026e EPS.

Target price (SAR)	**16.50**
Current price (SAR)	**15.32**
Return	**7.7%**



Exchange	Saudi Arabia
Index weight (%)	0.1%

(mn)	SAR	USD
Market Cap	4,621	1,224
Enterprise value	4,115	1,090

Major shareholders	
Saudi Agricultural a	39%
Vanguard Group Inc/T	2.7%
Blackrock Inc	1.1%
Others	57.6%

Valuation Summary	
PER TTM (x)	13.9
P/Book (x)	1.0
EV/EBITDA (x)	6.3
Dividend Yield (%)	NA
Free Float (%)	58%
Shares O/S (mn)	302
YTD Return (%)	-17%
Beta	0.8

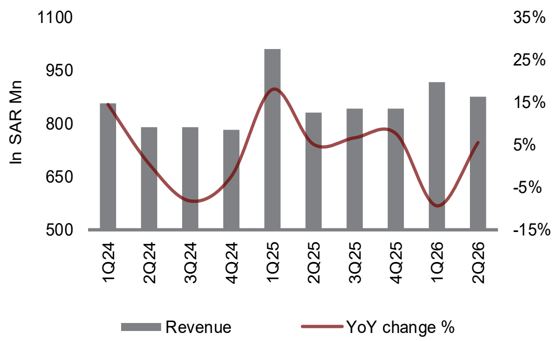
Key ratios	2023	2024	2025
EPS (SAR)	1.77	2.57	1.30
BVPS (SAR)	11.91	14.25	15.28
DPS (SAR)	0.00	0.00	0.00
Payout ratio (%)	0%	0%	0%

Price performance (%)	1M	3M	12M
National Agriculture Deve	7%	-9%	-27%
Tadawul All Share Index	6%	2%	5%

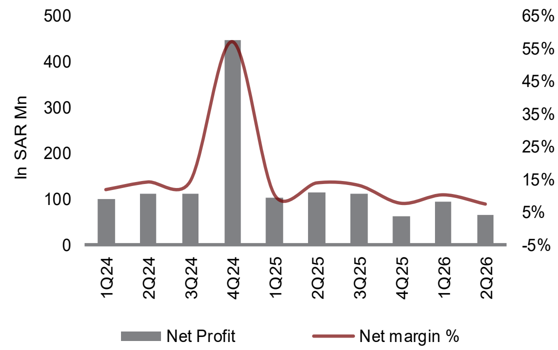
52 week	High	Low	CTL*
Price (SAR)	22.70	14.02	9.1

* CTL is % change in CMP to 52wk low

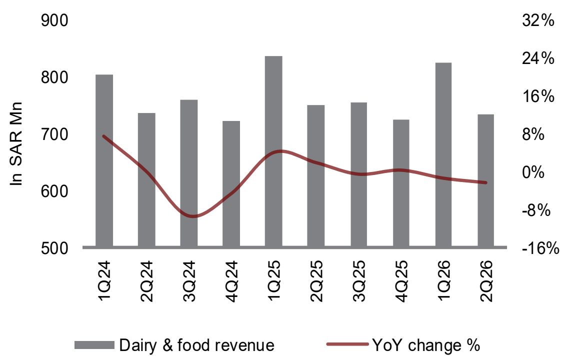
Revenue up 5.5% YoY driven by protein & agri segments



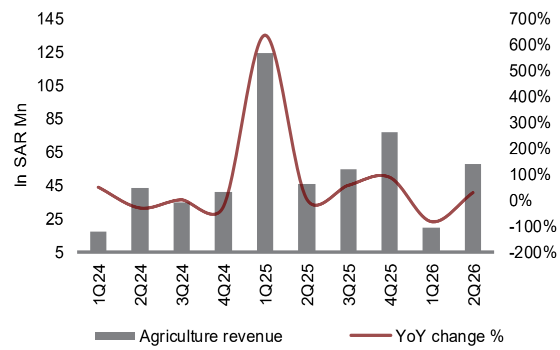
Net margin declines YoY on higher costs



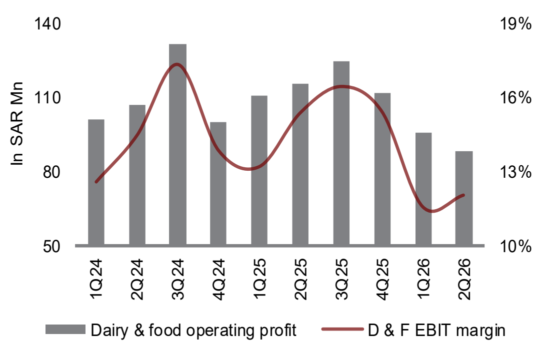
Dairy & Food decline modestly due to shift in demand



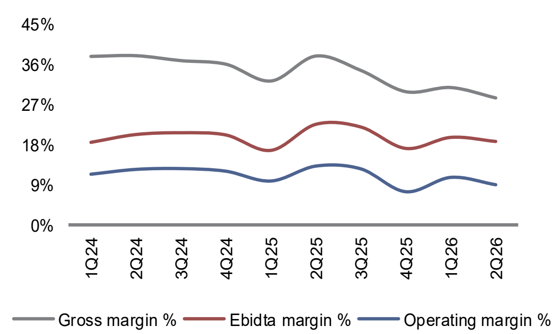
Higher volumes & pricing drive agriculture revenue



Dairy & food margins declines on cost pressure



Rising costs lead to margin compression



Income statement (in SAR Mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	3,197	3,220	3,527	3,588	3,827	4,088	4,376
Direct Costs	-2,013	-2,028	-2,346	-2,536	-2,602	-2,739	-2,932
Gross Profit	**1,184**	**1,192**	**1,181**	**1,052**	**1,225**	**1,349**	**1,444**
Selling and marketing expenses	-560	-532	-576	-611	-651	-695	-744
General and administrative expenses	-213	-235	-233	-232	-268	-286	-306
Impairment losses on trade receivables	-49	3	-8	127	-8	-8	-9
Provisions on recievables/other	-73	-4	-8	127	-8	-8	-9
Other Income / (expenses) - net	6	-32	13	2	19	20	22
EBIT	**345**	**389**	**377**	**338**	**318**	**380**	**407**
EBITDA	**572**	**637**	**682**	**672**	**665**	**750**	**480**
Share of results of joint venture	22	24	-5	-13	5	10	5
Finance costs	-76	-34	-36	-47	-30	-33	-37
PBT	**290**	**827**	**437**	**350**	**362**	**447**	**465**
Zakat	-14	-53	-47	-35	-33	-40	-42
Net Profit	**302**	**775**	**393**	**315**	**330**	**407**	**423**

Balance Sheet (in SAR Mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Property, plant and equipment	1,761	1,774	1,977	2,076	2,208	2,352	2,508
Right-of-use assets	58	46	281	351	403	453	503
Biological assets	728	696	679	663	663	663	663
Intangiable assets	24	27	23	19	19	19	19
Investment in joint venture	116	3	125	25	25	25	25
Equity investment at FVOCI	9	273	212	262	262	262	262
Prepayments	-	11	102	90	90	90	90
Other non current assets	149	313	462	396	396	396	396
Total non-current assets	2,695	2,829	3,399	3,492	3,676	3,870	4,076
Current inventories	560	662	638	710	729	767	821
Trade and other current receivables	464	379	318	538	574	613	656
Cash and bank balances	835	1,365	1,080	1,154	1,193	1,276	1,321
Prepayments	-	90	145	161	161	161	161
Biological assets	28	85	103	111	111	111	111
Other current assets	57	175	248	272	272	272	272
Total current assets	2,415	2,881	2,935	2,875	2,968	3,129	3,270
TOTAL ASSETS	**5,110**	**5,710**	**6,334**	**6,366**	**6,644**	**6,999**	**7,346**
Share capital	3,016	3,016	3,016	3,016	3,016	3,016	3,016
Other reserve	39	-30	-90	-41	-41	-41	-41
Reserves	233	164	-90	-41	-41	-41	-41
Retained earnings	344	1,116	1,704	2,019	2,191	2,433	2,653
Total Equity attributable to shareholders	**3,593**	**4,297**	**4,608**	**4,973**	**5,145**	**5,387**	**5,607**
Total equity	**3,593**	**4,297**	**4,608**	**4,973**	**5,145**	**5,387**	**5,607**
Murabaha loans and borrowings	98	2	47	35	35	35	35
Lease liabilities	35	26	222	272	325	376	426
Employee benefit obligation	148	131	122	116	134	143	153
Total non-current liabilities	284	162	471	425	496	557	617
Trade and other current payables	775	830	772	659	677	712	762
Murabaha loans and borrowings - short term	228	205	194	61	61	61	61
Murabaha loans and borrowings	279	206	236	61	61	61	61
Lease liabilities	18	13	67	91	108	125	142
Provision for Zakat	46	87	61	44	44	44	44
Other current liabilities	78	119	93	76	76	76	76
Total current liabilities	1,232	1,251	1,254	968	1,002	1,055	1,122
Total liabilities	**1,517**	**1,413**	**1,726**	**1,393**	**1,499**	**1,612**	**1,739**
Total equity and liabilities	**5,110**	**5,710**	**6,334**	**6,366**	**6,644**	**6,999**	**7,346**

Cash Flow (in SAR Mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	655	763	755	300	673	785	827
Investing cash flow	-757	-21	-1,022	-287	-306	-327	-350
Financing cash flow	825	-212	-18	61	-328	-375	-432
Change in cash	722	531	-285	74	39	83	45
Beginning cash	113	835	1,365	1,080	1,154	1,193	1,276
Ending cash	**835**	**1,365**	**1,080**	**1,154**	**1,193**	**1,276**	**1,321**

Ratio Analysis	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share							
EPS (SAR)	1.0	2.6	1.3	1.0	1.1	1.3	1.4
BVPS (SAR)	11.9	14.2	15.3	16.5	17.1	17.9	18.6
DPS (SAR)	-	-	-	0.5	0.5	0.7	0.7
FCF per share (SAR)	-0.3	2.5	-0.9	0.0	1.2	1.5	1.6
Valuation							
Market Cap (SAR Mn)	8,401	7,444	5,547	4,621	4,621	4,621	4,621
EV (SAR Mn)	7,995	6,326	5,038	3,925	3,957	3,942	3,964
EBITDA	572	637	682	672	665	750	480
P/E (x)	27.8	9.6	14.1	14.6	14.0	11.4	10.9
EV/EBITDA (x)	14.0	9.9	7.4	5.8	6.0	5.3	8.3
Price/Book (x)	2.3	1.7	1.2	0.9	0.9	0.9	0.8
Dividend Yield (%)	0.0%	0.0%	0.0%	3.4%	3.6%	4.4%	4.6%
Price to sales (x)	2.6	2.3	1.6	1.3	1.2	1.1	1.1
EV to sales (x)	2.5	2.0	1.4	1.1	1.0	1.0	0.9
Liqiudity							
Cash Ratio (x)	0.7	1.1	0.9	1.2	1.2	1.2	1.2
Current Ratio (x)	2.0	2.3	2.3	3.0	3.0	3.0	2.9
Quick Ratio (x)	1.5	1.8	1.8	2.2	2.2	2.2	2.2
Returns Ratio							
ROA (%)	5.9%	13.6%	6.2%	5.0%	5.0%	5.8%	5.8%
ROE (%)	8.4%	18.0%	8.5%	6.3%	6.4%	7.5%	7.6%
ROCE (%)	7.8%	17.4%	7.7%	5.8%	5.8%	6.8%	6.8%
Cash Cycle							
Inventory turnover (x)	3.6	3.1	3.7	3.6	3.6	3.6	3.6
Accounts Payable turnover (x)	2.6	2.4	3.0	3.8	3.8	3.8	3.8
Receivables turnover (x)	6.9	8.5	11.1	6.7	6.7	6.7	6.7
Inventory days	101	119	99	102	102	102	102
Payable Days	140	149	120	95	95	95	95
Receivables days	53	43	33	55	55	55	55
Cash Cycle	14	13	12	62	62	62	62
Profitability Ratio							
Net Margins (%)	9.4%	24.1%	11.2%	8.8%	8.6%	9.9%	9.7%
EBITDA Margins (%)	17.9%	19.8%	19.3%	18.7%	17.4%	18.3%	11.0%
PBT Margins (%)	9.1%	25.7%	12.4%	9.8%	9.5%	10.9%	10.6%
EBIT Margins (%)	10.8%	12.1%	10.7%	9.4%	8.3%	9.3%	9.3%
Effective Tax Rate (%)	4.9%	6.3%	10.8%	9.9%	9.0%	9.0%	9.0%
Leverage							
Total Debt (SAR Mn)	429	247	571	458	529	597	664
Net Debt (SAR Mn)	-406	-1,119	-509	-696	-664	-680	-657
Debt/Equity (x)	0.1	0.1	0.1	0.1	0.10	0.11	0.12
Net Debt/Equity (x)	-0.1	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1

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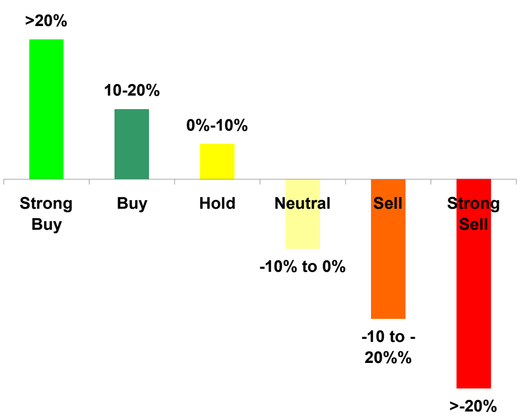
Rating Criteria and Definitions

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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