

FMCG

NADEC – Expansion round the corner

BUY: 12M TP @ 34.30

Valuation Summary (TTM)

Price (SAR)	29.95
PER TTM (x)	30.8
P/Book (x)	4.2
P/Sales (x)	2.0
EV/Sales (x)	2.0
EV/EBITDA (x)	8.7
Dividend Yield (%)	NM
Free Float (%)	58%
Shares O/S (mn)	302
YTD Return (%)	6%
Beta	0.7

(mn)	SAR	USD	
Market Cap	8,868	2,365	
Total Assets	10,113	2,697	
Price performance (%)	1M	3M	12M
Nadec	6%	35%	165%
Tadawul All Share Index	0%	12%	11%
Industry Index	0%	12%	11%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR)	52,937	39,760	26,625
Avg Daily Volume (,000)	1,589	1,517	1,054
52 week	High	Low	CTL*
Price (SAR)	31.00	10.98	167.7

\* CTL is % change in CMP to 52wk low

Major shareholders

SALIC	39%
Vanguard Group Inc/T	1.9%
BlackRock Inc	1.1%
Others	58.4%

Other details

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

Key ratios	2020	2021	2022
EPS (SAR)	0.17	-1.34	0.45
BVPS (SAR)	6.94	5.62	6.08
DPS (SAR)	0.00	0.00	0.00
Payout ratio (%)	0%	0%	0%



The National Agricultural Development Company (NADEC) established in 1980, is one of the leading food and beverage (F&B) companies in Saudi Arabia. The company was initially established to ensure food security in the country. However, over the last four decades NADEC has evolved from a basic commodity producer to a fully integrated dairy and food company involved in over 200 products and a distribution network of nearly 48,000 outlets. Nadec has reverted to record revenues and profits in 2023 post a sluggish period during 2020-22. The revival has been due a pickup in demand and the implementation of several changes in the company that has enhanced sales volume. We are optimistic about the F&B sector in Saudi and we believe the structural demand drivers will ensure volume growth going forward. We are also witnessing impetus provided by the government to local manufacturers, which will benefit companies like Nadec. Further, there is an increasing preference towards local brands, which we believe is an advantage to Nadec, that is already entrenched in the local and regional markets. The company recently completed a rights issue, which raised SAR 2bn, this will help fund the strategic expansion plans into new product categories and reduce debt levels. We expect the overall revenue to grow at a 16.8% CAGR (2023-27e) and the bottom line to grow at a CAGR of 12.3% (2023-27e), while the net margins are expected to be steady at around 6.5-7.5%. Based on our blended DCF and peer valuation approach we arrive at a fair value of SAR 34.30 per share, which is 14.5% higher than the current price. Based on our positive outlook and target price we initiate coverage in Nadec with a BUY rating.

**Market leadership coupled with industry growth to drive volumes:** Saudi has the most attractive demographic profile in the region with a young and affluent population of over 37mn. Consumption trends indicate significant spending on food and beverage (F&B), which will lead to an industry growth of 5.9% CAGR (2022-26e). Nadec has leadership position across dairy products and fruit juices and will be a major beneficiary of the current growth. Over the years it has built a well-recognized brand that is available across the MENA region, which will further enhance the prospects of the company.

**Nadec's strategic objective to double the revenue by 2027:** The board prepared a strategic plan in Dec 2022, to revive the growth and profitability of the company and achieve a revenue of SAR 6bn by 2027 (SAR 2.6bn as of 2022). Based on this, several initiatives including JVs and expansion plans have been drawn, which we believe are steps in the right direction. Further, in order to fund the strategic plan and reduce debt, the company recently raised SAR 2bn through a rights issue. We expect debt equity to reduce from 1.2x in 2022 to 0.35x in 2027e. We believe Nadec will have a better capital structure along with higher production and distribution capabilities by 2027.

**Valuation:** We are positive on the company based on the current growth prospects of the industry, structural improvement in the demand scenario and upcoming expansion into new product categories. We expect 2023 to record the highest revenue and profit for the company. While the stock price has nearly tripled in the last one year, we believe there is still scope for an upside. Our blended target price of SAR 34.30 per share is 14.5% higher than the current price. Hence we initiate coverage on Nadec with a BUY rating.

**Largest integrated food producer in the region**

**NADEC is a food and beverage behemoth in Saudi**

The National Agricultural Development Company (NADEC), was established in 1980 as the first agricultural company in the Kingdom of Saudi Arabia. The company is currently one of the largest food, agricultural and dairy production companies in the MENA, with a regional leadership position in the dairy and juice segment. NADEC is involved in the production and marketing of more than 200 food products, which is sold through a wide network of over 48,000 outlets across Saudi, and other GCC countries and the entire MENA region. It has a dairy and juice production capacity of 1.4mn liters/day and a dairy herd of 92,000 cows. NADEC owns four major agricultural facilities within KSA in Haradh (one of the largest integrated dairy farms in the world), Wadi Al Dawaser, Hail and Al Jouf. Revenue is derived from two operating segments - dairy & food (97%) and agriculture (3%) as of 9M23.

**Nadec has a wide spread network across the MENA region**



Source: Company reports

**Top 10 customers contribute 13.8% to the revenue**

Nadec supplies to retail through large/small stores and super markets while it services the corporate demand by supplying in bulk to restaurants, coffee shops and other catering agencies. The revenue appears well diversified, with the top 10 customers, who are amongst the largest players in the food and retail industry, contributing to a mere 13.8% of the revenue (in 2022), and.

**Top 10 customers contribute to 13.8% of the total revenue**

Top 10 customers	Rev in 2022 SAR Mn	As a % of total revenue
Panda	119	4.4%
Othaim Markets	102	3.8%
Unique Catering Services	28	1.0%
Danube KSA	24	0.9%
Carrefour KSA	21	0.8%
Tamimi Markets	21	0.8%
Lulu Hypermarket	17	0.6%
BinDawood	14	0.5%
Farm Superstores	13	0.5%
Al Raya	12	0.5%
<b>Total revenue</b>	<b>371</b>	<b>13.8%</b>

Source: Company reports, US research

**Saudi demographics is the biggest growth driver...**

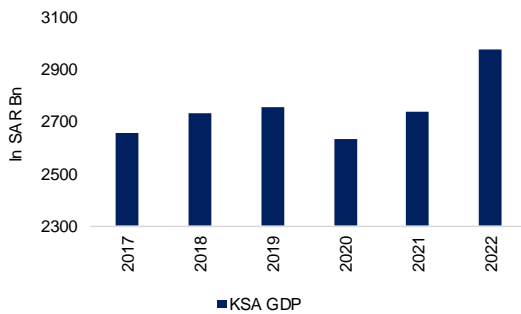
The Saudi F&B industry was valued at SAR 220bn in 2022 and is expected to grow at 6% CAGR during 2022-2026e to SAR 278bn driven by strong structural factors that offer a sustainable growth path. The most important ones being population growth and impetus to local production. Saudi population has grown rapidly in the past five years at an 8% CAGR (2017-2022) and it is expected that the overall Saudi population will reach 50-60mn by 2030e (c.37mn in 2022). Along with the growth in population, improving education levels, increasing job opportunities, rising number of women in workforce and influx of expats are providing a sustainable increase in the demand for food products. The Saudi household spending

per capita has witnessed a 4% CAGR during 2017-2022 and is estimated to grow at a 3% CAGR in the next five years.

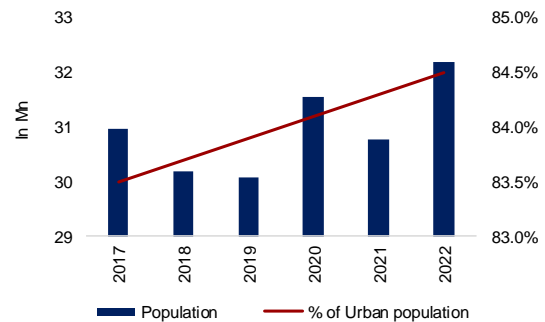
**Local products are finding preference amongst Saudis...**

Saudi with a GDP of USD 793bn in 2022 is the largest economy in the Middle East. The non-oil sector accounted for 57% of the GDP in 2022 and is growing at a faster rate than historical averages. The government has provided significant impetus to local manufacturers to promote indigenous production. Large companies such as Nadec have been beneficiaries of this accommodative stance. We believe these demand drivers will continue to provide impetus for the F&B industry.

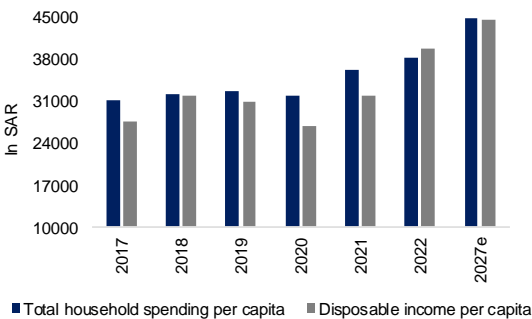
**Saudi GDP has witnessed consistency in growth**



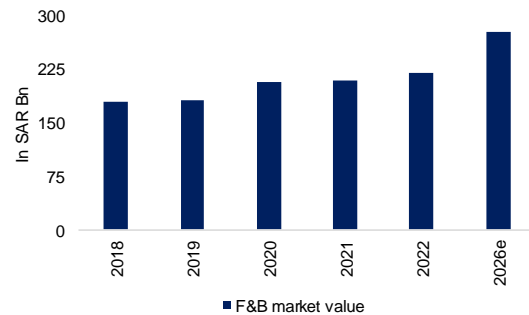
**Steady growth in demographics a major positive**



**Disposable income and spending to increase**



**Structural factors will trigger F&B segment growth**



Source: Company reports, US research

**Market leadership and diversified product mix augur well for volume growth in the dairy & food segment**

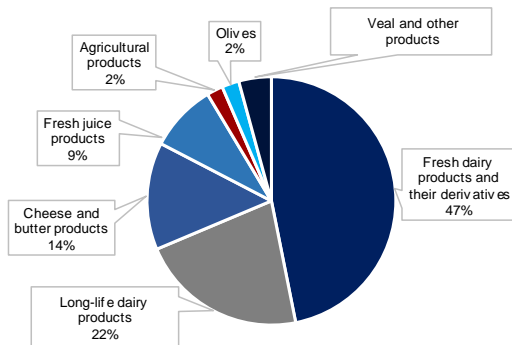
The dairy & food segment is the core line of business, which contributed to 97% of the revenue in 9M23 and has grown by 8.3% CAGR (2018-22). NADEC owns three production plants, out of which two are involved in dairy & juice production and one in the production and refining of olive oil. Products manufactured under this segment include fresh milk and its derivatives, long-life dairy, yogurt, labneh, fresh cream, cheese & butter, and fresh juices. Fresh milk and its derivatives are the main product segment and contribute 47% to the top line. Nadek is one of the leading vertically integrated players involved in the production of raw milk with a dairy herd of 92,000 cows. The company owns state of the art modern farms and over the years has garnered a market share of 13.9% (in terms of volume) in the Saudi fresh milk dairy market. The long-life dairy products are the second major category with a market share of 7.6% and contribute 22% to the overall revenue in 2022. Its wide network has ensured the availability of the products across small and large stores. Significant marketing efforts to build the brand over the years has created a loyal customer base for the milk products. Cheese and butter products contributing 14% to the topline (2022), have witnessed an increase in their market share from 9.8% in 2021 to 12.8% in 2022. The juice segment of NADEC is another important category with a 20% market share and contributed 9% to the top line in 2022.

**Fresh milk & its derivatives contribute 47% to the overall revenue**

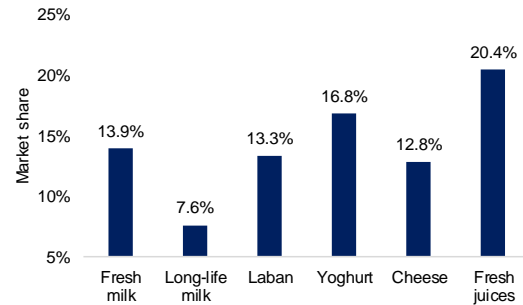


Source: Company reports,

**Dairy and its derivatives form the main revenue source**



**Market leadership across products**



Source: Company reports, US research

**Constantly growing product pipeline and outcome of R&D**

NADEC has continuously introduced new products depending on the demand and achieved leadership position in them. Some of the recent additions include, Ayran laban (salted yogurt drink) made from fresh milk is a distinctive product in the market; Tamry, is available in the form of fresh date milk, long-life milk and Tamry yogurt and is the first such product of its kind in Saudi and NADEC’s most notable innovation. Greek-style yogurt, Icelandic yogurt, organic milk with vitamins A & D3 and protein drinks in strawberry & chocolate flavors are the other innovative products introduced by the company.

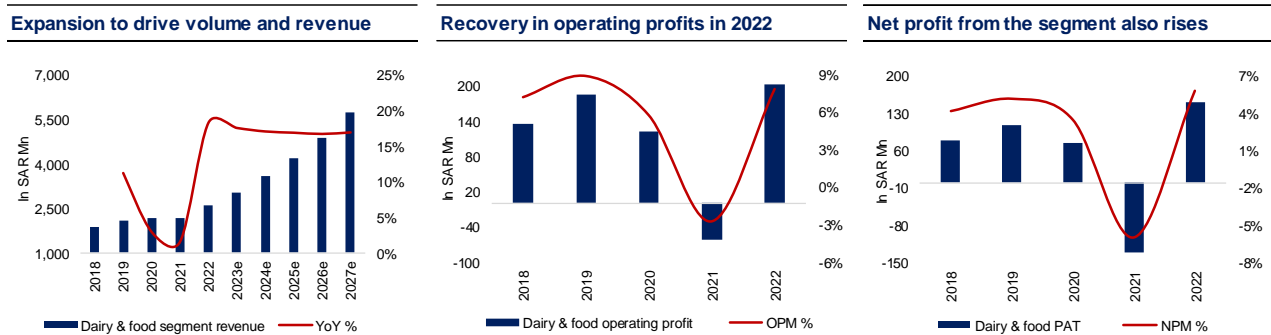
NADEC’s production plants					
Plant	Location	Total Area (sqm)	Products	Licensed Production capacity (tons)	Actual production capacity (tons)
First Dairy Plant	Al Ahsa, Haradh	11,530	Ice cream mix	3,500	4,000
			Flavored long-life milk	18,655	25,000
			Long-life milk	175,355	180,000
			Flavored cream	240	250
			Bottled water	9,000	0
			Animal feed	300,000	0
			Tomato paste	3,500	0
Second Dairy Plant	Al Ahsa, Haradh	63,065	Processed cheese	9,880	15,500
			Yogurt	56,698	70,000
			Fresh labneh	201	300
			Butter	886	900
			Spreadable fresh white cheese	606	606
			Fruit-flavored milk	13,603	16,000
			Chocolate milk	4,112	5,500
			Cream	1,548	1,800
			Milk	100,306	120,000
			Laban	125,378	140,000
			Dairy desserts	2,300	2,400
			Assorted juices	30,718	32,000
Vitamin A and its derivatives	4,000	4,000			
Olive plant	Al Busaita, Al Jouf	8,000	Production and refining of olive oil	1,600	2,100

Source: Company reports, US research



**Segment profits to grow at a 18% CAGR between 2023-27e**

The segment's operating profit witnessed a 10.5% CAGR during the period 2018-22 and has maintained an operating margin of 7-8% consistently over the years. Net margins have been in the range of 5-6% and we expect the same to continue going forward. We expect revenue from this segment to grow at 17% CAGR (2023-27e) and net profit to increase by 18% CAGR (2023-27e).



Source: Company reports, US research

**Agri segment has one of the largest farms in the Kingdom and offers food security to the country**

**Agri segment is a commoditized, low margin business likely to witness improvement in profitability**

NADEC is involved in the large-scale production of agricultural products such as forage, wheat, tomato, fruits & dates, olives, honey and others. The company owns four agricultural projects in Hail, Wadi Al Dawaser, Al Jouf and Haradh. Al Jouf agricultural project with more than five million organic olive trees is one of the largest olive farms in the world. In 2022, forage represented 44.9% and wheat was 40.7% of the total agricultural production. Overall, the agricultural segment contributed only 3% to the top line in 2022 and 9M23.

Agricultural Projects			
Project	Location	Total Area ('000 sqm)	Description of the Activity
Haradh	Al Ahsa Governorate	375,250	Cattle farms
Wadi Al Dawaser	Wadi Al Dawaser Governorate	989,255	Cattle farms and food processing
Hail	Al Shinan Governorate	193,082	Cultivation of wheat, potatoes and onions. Specialized unit to fatten calves
Al Jouf	Tabarjal Governorate	72,000	Production of wheat,, vegetables, olives, palm trees and fruits

Source: Company reports, US research

**Management is striving to turnaround the segment**

High cost of labour, low value of commodity, intense competition has led this segment into losses for the past 5 years. In an attempt to recovery, the management discontinued a few loss-making operations and focused on other profit-making products such as tomato and wheat. The company also envisages to buy some of the agricultural products from the local farmers under contract farming to reduce the production cost and overheads. While steps are being taken to improve the profitability of this segment we believe it will be a long process and will require further capex. We expect revenue from this segment to grow at 3% CAGR (2023-27e) and the recent steps undertaken is likely to lead to recovery in profitability. However, currently it remains a small contributor in terms of revenue but has a drag on the consolidated profits by SAR 50-70mn annually.

**NADEC's five-year growth strategy aims to double revenue to SAR 6bn revenue by 2027**

**NADEC's five-year growth strategy to strengthen and grow beyond its core operations**

The board of Nadec met in Dec 2022 and announced a road map to revive the prospects of the company. The strategic plan was prepared to grow the business both locally and regionally. It envisaged expansion into new markets, building appropriate infrastructure to suit future growth, introducing cutting edge technology, focus on operational efficiency and improve the capital structure of the company. The end objective of the plan was to make Nadec the preferred brand across MENA and achieve a revenue of SAR 6bn by 2027, from the current SAR 2.7bn (in 2022).

**Several new associations formed to achieve strategic goals...**

In order to accomplish its strategic plan, NADEC has been actively engaged in forming partnerships and adding capacities all through 2023. It has signed many significant MOU's and agreements with leading government and private entities. In Jan 2023, Nadec formed a JV with Leha to improve its production of potatoes in the country. While in Feb 2023, it entered into a strategic partnership with UAE based Pure Harvest on a large scale food production project. The project aims to deliver 27 hectares of production in Nadec's lands. Pure harvest will design, construct and operate the project, which will produce pesticide free fruits and vegetables all-round the year using the latest hydroponic technology. The products will be sold across Saudi and the cost of production will be significantly lower than conventional methods. It entered the red meat market through its association with Minerva in June 2023. Further addition to capabilities were



initiated with the MoU with Del Monte to produce specific goods including fruits, vegetables, juices etc. We expect Nadec to build on these relationships and imbibe the best production practices, which will translate into higher operational efficiencies going forward.

**Rights issue worth SAR 2bn to fund the company's growth plan**

In order to improve the financial metrics and fund expansion, the company decided on a rights issue. A SAR 2bn worth rights issue was completed in the fourth quarter of 2023 to fund its five-year growth strategy. NADEC expects to invest SAR 400mn to increase the production capacity of its dairy plants and the size of its dairy herd. The company also plans to invest SAR 400mn to expand the cultivation & production of agricultural products and increase the scope of the distribution channels. Further, the company intends to enter new sectors by investing SAR 250mn in the red meat and vegetables segments. Nadec also plans for a debt repayment of around SAR 730mn. We believe the fund raise, expansion and productivity improvements are coming at the right time when the food industry is looking up and potential to garner market share is high. Nadec will become less leveraged (debt equity expected to reduce from 1.2x in 2022 to 0.35x in 2027e) with a better capital structure along with higher production and distribution capabilities by 2027.

Expected usage of rights issue proceeds								
In SAR Mn	2024				2025		Total	% of total
Description	Q1	Q2	Q3	Q4	Q1	Q2		
Dairy and juice	193	187	20	-	-	-	400	20%
Agricultural products	208	104	48	40	-	-	400	20%
Red meat	18	38	56	67	45	26	250	13%
Loan repayment	730	-	-	-	-	-	730	37%
General purpose requirements	200	-	-	-	-	-	200	10%
Offering Expenses	20	-	-	-	-	-	20	1%
<b>Total</b>	<b>1,369</b>	<b>329</b>	<b>124</b>	<b>107</b>	<b>45</b>	<b>26</b>	<b>2,000</b>	<b>100%</b>

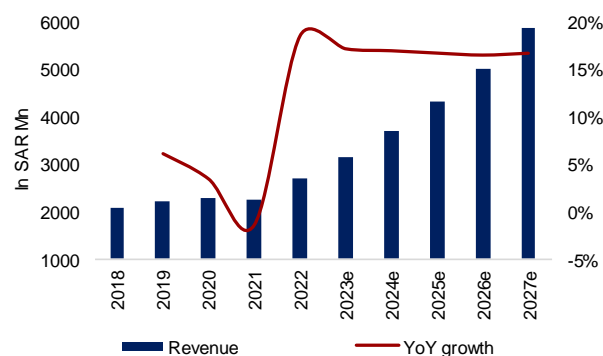
Source: Company reports, US research

**Expansion driven revenue growth, improvement in profitability and lower leverage expected**

Nadec is already a market leader in most of its product segments and the current expansion drive will only increase its position both in the local and regional markets. The management expects to increase its revenue from SAR 2.6bn in 2022 to about SAR 6bn by 2027e. Our revenue estimates are a little more conservative, as the expansion plan is still in its early stages and we expect overall revenues to grow by 16.8% CAGR (2023e-27e) to reach SAR 5.8bn by 2027e. Revenue growth will be driven by the dairy segment, which has a loyal customer base and brand value built over the years. During 9M23, revenues increased by 18.4% compared to the same period previous year evidencing the robust growth. We also expect a turnaround in the agri segment, which will also be part of the expansion plans. Several JVs and production improvement measures have been undertaken along with building a robust supply chain. We believe the agri segment will target to be the main supplier for many of the large food production houses in the country. Nadec already has the land and required infrastructure which will be used for the same.

**Expect overall revenue to grow at a 16.8% CAGR (2023e-27e)**

**Expansion to drive revenue from 2025 onwards**



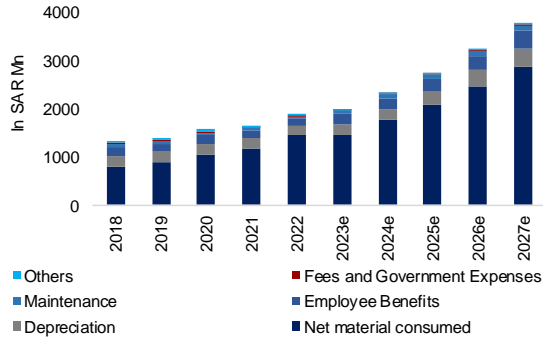
Source: Company reports, US research

**Raw material cost accounts for 74% of the total direct expenses**

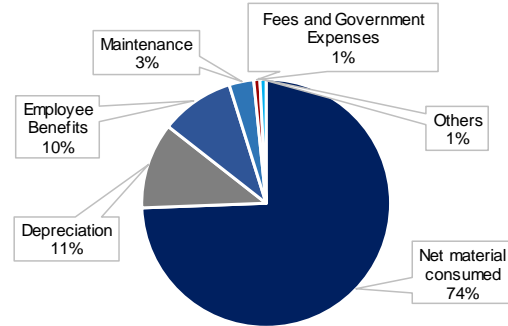
Raw materials contribute nearly 74% of the total direct expenses and remains the most significant variable. While the government provides subsidy for certain products the overall compensation has reduced from 8.7% of the raw material cost in 2019 to 2.3% in 2022. The company has managed to maintain the gross margins above 35% historically except for

the lean period during 2020-22. Based on better cost control measures we expect gross margins to revert to +35% going forward.

**Govt subsidies partially offset raw material costs**



**Raw material forms 74% of the total direct cost**

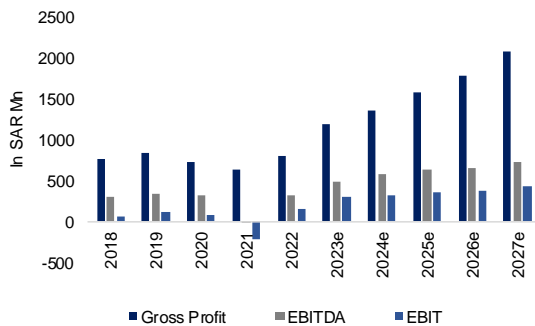


Source: Company reports, US research

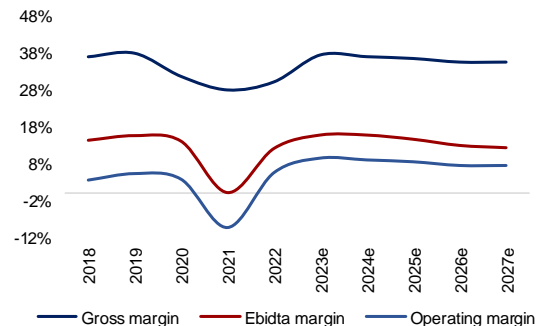
**EBITDA to grow at 9.7% CAGR (2023-27e)**

The company reported operating losses in 2021 due to the severe decline in demand. However, things have improved since then, with both revenue and profitability improving. Operating overheads have been under control, with the selling and marketing expenses falling from 24.2% in 2019 to 18.4% in 9M23. EBITDA has reverted to 2019 levels and we expect a growth of 9.7% CAGR (2023-27e) going forward. We expect EBITDA margins, which are currently at 15.8%, to gradually settle around 12.5-13% post the expansion falls in place which may result in higher operating expenses.

**Profitability has recovered post covid**



**Margins have reverted to means**

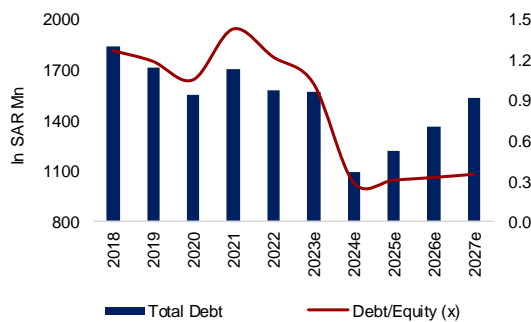


Source: Company reports, US research

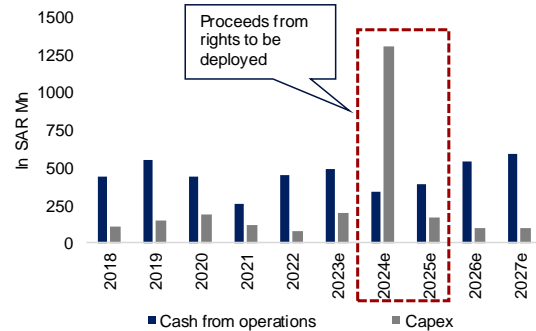
**Repayment of debt to improve the debt-to-equity ratio to 0.33x in 2027e**

The rights issue process has been completed and the company will be able to deploy SAR 2bn for its expansion plans as envisaged in its strategic outlook. The usage of these funds as outlined by the management includes a debt repayment of SAR 730mn. This will reduce the total debt to equity ratio from 1.1x in 2022 to 0.33x in 2027e. Finance cost is also expected to reduce by SAR 20mn annually on account of debt reduction and improve the overall cash position.

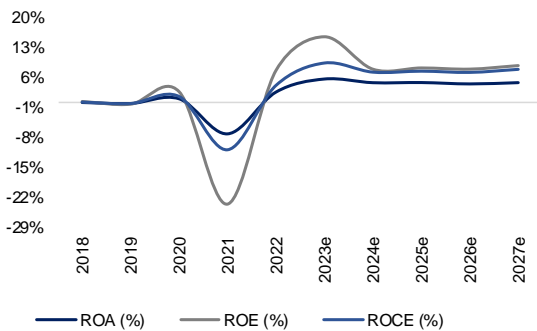
**Proceeds from rights issue will reduce debt**



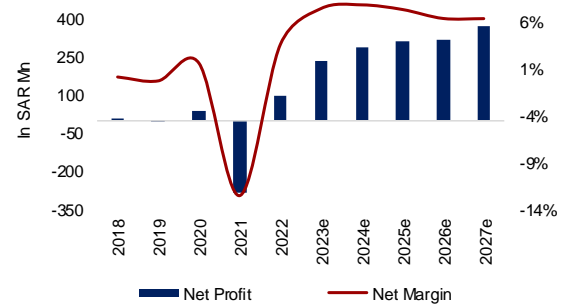
**Well planned capex to start from 2024 onwards**



**Return ratios to stabilise at current levels**



**Profit margins to remain steady**



Source: Company reports, US research

**Net profit to grow by 12.3% CAGR (2023-27e) with a net margin of around 6.5-7.5%**

We expect the increase in revenue and higher volumes to drive net profit growth for Nadec. Based on our forecast the net profit is expected to grow by 12.3% CAGR (2023-27e). Despite higher higher operating costs post expansion the lower interest outflow will result in steady margins in the range of 6.5-7.5%. The last dividend paid by the company was in 2016 post which the profitability declined and later covid situation accentuated it further. We expect the company to resume its dividend payment from 2024 onwards with adequate cash in hand and lower debt levels.

## Valuation

**Positive industry trends to continue and will support valuations...**

We expect the Saudi food related companies to witness continuous demand based on the attractive demographics, influx of expats, favorable spending trends and wide variety of products. Based on the 9M23 trend we expect revenue for 2023 to surpass SAR 3bn. We also expect the net profit for 2023 at SAR 233mn compared to SAR 95mn in 2022 and a loss of SAR 285mn in 2021. This would be a record year for both revenue and profit for the company. The positive changes have been reflected in the market price all through 2023 and over the last one year the stock has tripled in value. We believe the rights issue is coming at a favorable time for the company to capture further opportunities in the growing Saudi food sector.

**DCF value at SAR 34.26 per share...**

We have valued the company through the DCF method using forecasts through 2023e-2027e. We considered the cost of equity at 10.9%, derived from a risk free rate of 5.0%, equity risk premium of 8.0%, and beta of 0.74x. Based on these inputs we arrive at a WACC of 8.9% for the company. We assume a terminal growth rate of 2% post the forecast period. Our DCF valuation of Nadec provides an intrinsic value of SAR 34.26 per share.

**Blended target price at SAR 34.30/share provides an upside 14.5%...**

We also provide a target PE multiple (50% wt) of 15x to arrive at a relative valuation of SAR 34.34/share. Together with the DCF methodology (50% wt), we arrive at a blended intrinsic value of SAR 34.30/share, which is higher than the current price by 14.5%. Based on our blended target price we initiate coverage on Nadec with a BUY rating.

DCF Method (in SAR Mn)	2023e	2024e	2025e	2026e	2027e
<b>Post-tax operating profit (NOPAT)</b>	<b>312</b>	<b>347</b>	<b>382</b>	<b>392</b>	<b>458</b>
Add: Depreciation & amortization	178	223	233	243	254
Less: Change in working capital	-36	-267	-265	-129	-152
Less: Capex	-200	-1,299	-171	-100	-100
<b>Free Cash Flow to Firm</b>	<b>254</b>	<b>-996</b>	<b>179</b>	<b>407</b>	<b>460</b>
PV of Free Cash Flows	252	-921	152	318	359
PV of Terminal Value					5,684
Enterprise Value					5,843
Less: Net debt					1,468
Less: Minorities & Pension liabilities					893
<b>Equity value</b>					<b>3,482</b>
No of shares					102
<b>Fair value per share (SAR)</b>					<b>34.26</b>

Valuation parameters	
Risk free rate (Rf)	5.0%
Beta	0.741
Equity Risk premium (Rm)	8.0%
Cost of equity (Ke)	10.9%
Terminal growth rate (g)	2.0%
Pretax Cost of Debt	4.8%
Effective tax rate	15.0%
After tax cost of debt	4.1%
Target Debt/Equity	30.0%
WACC	8.9%

Peer valuation	
PE (TTM)	13.1
Target PE	15.0
<b>Fair value (SAR)</b>	<b>34.34</b>

Blended Target price	Wtg	Target price	Wtd value
DCF	50%	34.26	17.13
PE	50%	34.34	17.17
<b>Target price (SAR)</b>			<b>34.30</b>
CMP			29.95
Potential upside			14.5%

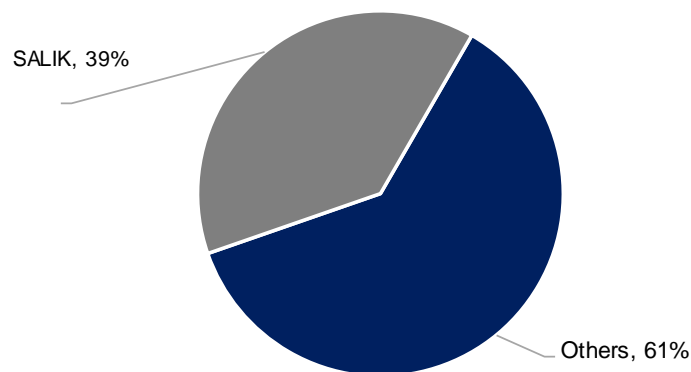
### Key risks

- Inability to keep pace with consumer demands might affect the demand for its products.
- Increase in the price of raw materials and packaging materials would adversely impact the company's margins.

## Company profile

NADEC, established in 1981 is the first and the largest agricultural company in Saudi. It is also one of the first agricultural company to be listed on the Saudi exchange market in 1993. The Saudi Agricultural and Livestock Investment company (SALIC) is the majority (38.65%) shareholder of NadeC. SALIC was established by the Government of Saudi to support and invest in the Saudi food & beverage (F&B) sector, with an aim to increase the Kingdom's food security. Recently, the company came up with a rights issue worth SAR 2bn offering 200mn shares at an offer price of SAR 10, raising its capital by 197% to SAR 3bn. Currently, NADEC has a portfolio of over 200 products and operates with a dairy & juice production capacity of 1.4mn litres/day, using a manpower of more than 5000 employees along with a fleet size of 2300 vehicles.

### Shareholding pattern of NADEC



### BOARD OF DIRECTORS

S.NO	NAME	POSITION	CATEGORY
1	Abdulaziz Saleh Alrebdi	Chairman	Non-Executive
2	Abdulateef Abdullah Al Rajhi	Vice Chairman	Non-Executive
3	Amr Abdulaziz Aljallal	Board Member	Independent
4	Ahmed Saud Shahini	Board Member	Non-Executive
5	Bader Abdulrahman Alsayari	Board Member	Non-Executive
6	Abdulaziz Mohammad Alrugaib	Board Member	Independent
7	Ibrahim Mohammed Alamer	Board Member	Independent

Source: Bloomberg®, US Research



Income statement (in SAR Mn)	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Revenue	2,303	2,272	2,694	3,158	3,695	4,314	5,028	5,871
Direct Costs	-1,577	-1,641	-1,886	-1,974	-2,328	-2,740	-3,243	-3,787
<b>Gross Profit</b>	<b>726</b>	<b>631</b>	<b>808</b>	<b>1,184</b>	<b>1,367</b>	<b>1,575</b>	<b>1,785</b>	<b>2,084</b>
Selling and marketing expenses	-545	-484	-488	-568	-665	-777	-905	-1,057
General and administrative expenses	-112	-148	-139	-189	-222	-259	-302	-352
Provisions on receivables/other	-101	-152	-21	-101	-118	-138	-161	-188
Other Income / (expenses) - net	120	-58	-13	-28	-33	-39	-45	-53
<b>EBIT</b>	<b>85</b>	<b>-213</b>	<b>147</b>	<b>297</b>	<b>329</b>	<b>362</b>	<b>372</b>	<b>434</b>
<b>EBITDA</b>	<b>324</b>	<b>-1</b>	<b>325</b>	<b>498</b>	<b>582</b>	<b>629</b>	<b>649</b>	<b>721</b>
Share of results of joint venture	-	-	3	21	20	20	20	20
Finance costs	-44	-32	-49	-70	-44	-49	-54	-61
<b>PBT</b>	<b>41</b>	<b>-245</b>	<b>101</b>	<b>248</b>	<b>305</b>	<b>334</b>	<b>338</b>	<b>393</b>
Zakat	-6	-40	-6	-15	-18	-20	-20	-24
<b>Net Profit</b>	<b>36</b>	<b>-285</b>	<b>95</b>	<b>233</b>	<b>287</b>	<b>314</b>	<b>317</b>	<b>369</b>

Balance Sheet (in SAR Mn)	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Property, plant and equipment	1,963	1,810	1,713	1,735	2,811	2,850	2,907	2,953
Right-of-use assets	59	71	56	73	93	109	106	103
Biological assets	625	686	735	717	717	717	717	717
Other non current assets	128	178	203	158	100	100	100	100
<b>Total non-current assets</b>	<b>2,775</b>	<b>2,745</b>	<b>2,707</b>	<b>2,683</b>	<b>3,722</b>	<b>3,776</b>	<b>3,829</b>	<b>3,873</b>
Current inventories	537	452	516	592	815	1,096	1,297	1,515
Trade and other current receivables	326	288	371	442	628	777	905	1,057
Cash and bank balances	69	82	113	278	745	786	973	1,207
Other current assets	169	323	115	180	180	180	180	180
<b>Total current assets</b>	<b>1,101</b>	<b>1,145</b>	<b>1,115</b>	<b>1,492</b>	<b>2,369</b>	<b>2,838</b>	<b>3,356</b>	<b>3,958</b>
<b>TOTAL ASSETS</b>	<b>3,876</b>	<b>3,890</b>	<b>3,822</b>	<b>4,175</b>	<b>6,090</b>	<b>6,614</b>	<b>7,185</b>	<b>7,831</b>
Share capital	1,016	1,016	1,016	1,016	3,016	3,016	3,016	3,016
Reserves	207	210	223	223	223	223	223	223
Retained earnings	255	-30	56	289	505	704	896	1,107
<b>Total Equity attributable to shareholders</b>	<b>1,478</b>	<b>1,196</b>	<b>1,295</b>	<b>1,528</b>	<b>3,745</b>	<b>3,944</b>	<b>4,136</b>	<b>4,346</b>
Murabaha loans and borrowings	881	1,150	893	775	45	45	45	45
Lease liabilities	30	45	39	33	37	42	41	40
Employee benefit obligation	166	163	153	171	200	233	272	317
Other non current liabilities	6	5	5	4	4	4	4	4
<b>Total non-current liabilities</b>	<b>1,082</b>	<b>1,364</b>	<b>1,090</b>	<b>983</b>	<b>286</b>	<b>324</b>	<b>362</b>	<b>406</b>
Trade and other current payables	606	714	678	789	931	1,096	1,297	1,515
Murabaha loans and borrowings	610	486	633	744	996	1,115	1,256	1,430
Lease liabilities	33	25	16	14	16	18	18	17
Other current liabilities	67	105	110	117	117	117	117	117
<b>Total current liabilities</b>	<b>1,315</b>	<b>1,330</b>	<b>1,437</b>	<b>1,665</b>	<b>2,060</b>	<b>2,346</b>	<b>2,688</b>	<b>3,079</b>
<b>Total liabilities</b>	<b>2,397</b>	<b>2,694</b>	<b>2,526</b>	<b>2,648</b>	<b>2,346</b>	<b>2,670</b>	<b>3,050</b>	<b>3,485</b>
<b>Total equity and liabilities</b>	<b>3,876</b>	<b>3,890</b>	<b>3,822</b>	<b>4,175</b>	<b>6,090</b>	<b>6,614</b>	<b>7,185</b>	<b>7,831</b>

Cash Flow (in SAR Mn)	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Cash from operations	443	256	452	485	336	387	542	591
Investing cash flow	-217	-325	-243	-200	-1,299	-171	-100	-100
Financing cash flow	-220	82	-178	-97	-544	45	62	89
Change in cash	7	13	31	165	468	40	188	234
Beginning cash	62	69	82	113	278	745	786	973
<b>Ending cash</b>	<b>69</b>	<b>82</b>	<b>113</b>	<b>278</b>	<b>745</b>	<b>786</b>	<b>973</b>	<b>1,207</b>

Ratio Analysis	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
<b>Per Share</b>								
EPS (SAR)	0.4	-2.8	0.9	2.3	1.0	1.0	1.1	1.2
BVPS (SAR)	14.5	11.8	12.7	15.0	12.4	13.1	13.7	14.4
DPS (SAR)	-	-	-	0.7	0.4	0.4	0.5	0.6
FCF per share (SAR)	2.2	-0.7	2.1	2.8	-3.2	0.7	1.5	1.6
<b>Valuation</b>								
Market Cap (SAR Mn)	3,029	3,085	2,075	3,044	9,034	9,034	9,034	9,034
EV (SAR Mn)	4,514	4,710	3,544	4,333	9,383	9,469	9,421	9,360
EBITDA	324	-1	325	498	582	629	649	721
P/E (x)	85.0	-10.8	21.7	13.1	31.5	28.8	28.5	24.5
EV/EBITDA (x)	14.0	-6,958.6	10.9	8.7	16.1	15.0	14.5	13.0
Price/Book (x)	2.0	2.6	1.6	2.0	2.4	2.3	2.2	2.1
Dividend Yield (%)				2.3%	1.3%	1.4%	1.8%	2.0%
Price to sales (x)	1.3	1.4	0.8	1.0	2.4	2.1	1.8	1.5
EV to sales (x)	2.0	2.1	1.3	1.4	2.5	2.2	1.9	1.6
<b>Liquidity</b>								
Cash Ratio (x)	0.1	0.1	0.1	0.2	0.4	0.3	0.4	0.4
Current Ratio (x)	0.8	0.9	0.8	0.9	1.1	1.2	1.2	1.3
Quick Ratio (x)	0.4	0.5	0.4	0.5	0.8	0.7	0.8	0.8
<b>Returns Ratio</b>								
ROA (%)	0.9%	-7.3%	2.5%	5.6%	4.7%	4.7%	4.4%	4.7%
ROE (%)	2.4%	-23.8%	7.4%	15.2%	7.7%	7.9%	7.7%	8.5%
ROCE (%)	1.4%	-11.1%	4.0%	9.3%	7.1%	7.3%	7.1%	7.8%
<b>Cash Cycle</b>								
Inventory turnover (x)	2.9	3.6	3.7	3.3	2.9	2.5	2.5	2.5
Accounts Payable turnover (x)	2.6	2.3	2.8	2.5	2.5	2.5	2.5	2.5
Receivables turnover (x)	7.1	7.9	7.3	7.1	5.9	5.6	5.6	5.6
Inventory days	124	101	100	110	128	146	146	146
Payable Days	140	159	131	146	146	146	146	146
Receivables days	52	46	50	51	62	66	66	66
Cash Cycle	36	-12	19	15	44	66	66	66
<b>Profitability Ratio</b>								
Net Margins (%)	1.5%	-12.5%	3.5%	7.4%	7.8%	7.3%	6.3%	6.3%
EBITDA Margins (%)	14.0%	0.0%	12.1%	15.8%	15.7%	14.6%	12.9%	12.3%
PBT Margins (%)	1.8%	-10.8%	3.8%	7.8%	8.3%	7.7%	6.7%	6.7%
EBIT Margins (%)	3.7%	-9.4%	5.5%	9.4%	8.9%	8.4%	7.4%	7.4%
Effective Tax Rate (%)	13.8%	-16.2%	5.9%	6.0%	6.0%	6.0%	6.0%	6.0%
<b>Leverage</b>								
Total Debt (SAR Mn)	1,553	1,707	1,581	1,567	1,094	1,221	1,360	1,533
Net Debt (SAR Mn)	1,485	1,625	1,468	1,289	349	435	387	326
Debt/Equity (x)	1.1	1.4	1.2	1.0	0.3	0.3	0.3	0.4
Net Debt/Equity (x)	1.0	1.4	1.1	0.8	0.1	0.1	0.1	0.1

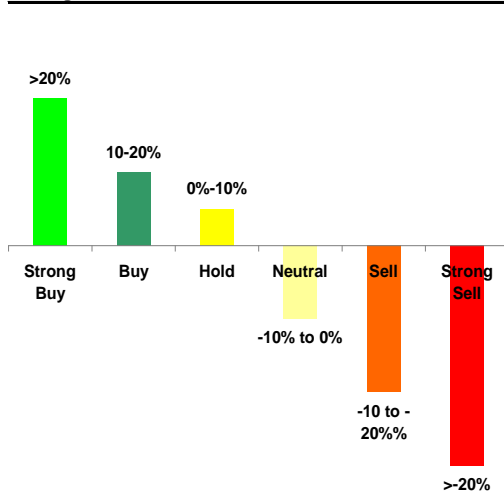
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## Rating Criteria and Definitions

### 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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