First Look Note | 3Q25

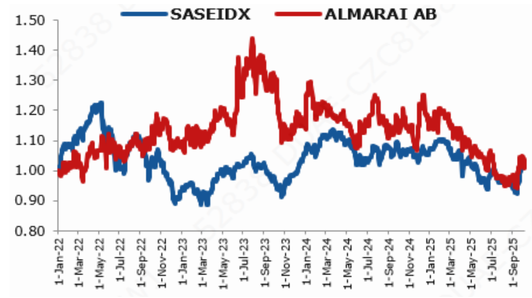
Saudi Equity Research Sector: Consumer Market: Tadawul

Almarai Company

Strong volume growth and lower funding costs boosted profitability

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 49.76	SAR 65.00	+31%	BUY

- Revenue grew 6.6% YOY to SAR 5,553 Mn in 3Q25, due to increased volumes across all core markets and sales channels.
- Almarai finalized the acquisition of Pure Beverage Industry Co, a water business, for SAR 1.0 Bn in 3Q25.
- The Company's CAPEX expanded from SAR 914 Mn in 3Q24 to SAR 1,002 Mn in 3Q25.
- Free cash flow declined from SAR 316 Mn in 3Q24 to negative SAR 967 Mn in 3Q25.
- Almarai's total debt expanded from SAR 11.2 Bn in 2Q25 to SAR 12.6 Bn in 3Q25, supported by an issuance of USD-denominated Trust Certificates.



Stock Information	
Market Cap (SAR, Mn)	49,760.00
Paid Up Capital (Mn)	10,000.00
52 Week High	61.50
52 Week Low	45.68
3M Avg. daily value(SAR)	41,196,590

3Q25 Result Review (SAR, Mn)	
Total Assets	39.984
Total Liabilities	19,940
Total Equity	20,044
EBITDA	1,324
Net Profit	613

Financial Ratios	
Dividend Yield (12m)	2.01
Dividend Pay-out (%)	43.23
Price-Earnings Ratio(x)	20.31
Price-to-Book Ratio (x)	2.48
Book Value (SAR)	20.04
Return-on Equity (%)	12.55

Stock Performance	
5 Days	-2.14%
1 Months	5.07%
3 Months	1.55%
6 Months	-7.85%
1 Year	-10.98%
Month to Date (MTD%)	-1.07%
Quarter to Date (QTD%)	-1.07%
Year to Date (YTD%)	-13.01%

3Q25 Net Profit lower than our estimate

Almarai Company ("Almarai, "the Company") recorded a 7.5% YOY increase in net profit to SAR 613 Mn in 3Q25, lower than our estimate of SAR 662 Mn. The rise in net profit was supported by higher revenues driven by increased volumes across all core markets, along with lower impairments, finance costs, zakat and income tax expense, partially offset by a rise in cost of sales, higher S&D and G&A expenses.

P&L Highlights

Almarai's revenue grew 6.6% YOY to SAR 5,553 Mn in 3Q25, supported by increased volumes across all core markets and sales channels, particularly in poultry, dairy, food and bottled water segments. Revenue from the Dairy and Juice segment grew 4.9% YOY to SAR 3,655 Mn in 3Q25, supported by stronger sales across all markets. Revenue from the Bakery business segment recorded growth of 6.1% YOY to SAR 702 Mn in 3Q25, driven by improved sales revenue mix. Moreover, revenue from the Poultry segment increased 2.9% YOY to SAR 955 Mn in 3Q25, driven by a rise in sales volumes resulting from the initial phase of the poultry expansion project. Additionally, revenue from Other Activities rose significantly from SAR 134 Mn in 3Q24 to SAR 239 Mn in 3Q25, mainly driven by the introduction of the Water category. On the other hand, the cost of sales increased 7.5% YOY to SAR 3,805 Mn in 3Q25. Thus, gross profit increased 4.6% YOY to SAR 1,747 Mn in 3Q25. The Company's gross profit margins contracted 59 bps YOY to 31.5% in 3Q25, primarily driven by a fall in poultry prices. S&D expenses rose 7.4% YOY to SAR 836 Mn in 3Q25. G&A expenses also increased 18.1% YOY to SAR 122 Mn in 3Q25. In addition, other expenses grew 2.7% YOY to SAR 30 Mn in 3Q25. Impairment charges declined substantially from SAR 16 Mn in 3Q24 to SAR 2 Mn in 3Q25. As a result, Almarai's operating profit rose 2.0% YOY to SAR 757 Mn in 3Q25. Operating profit margin contracted 61 bps YOY to 13.6% in 3Q25. Furthermore, net finance cost fell 7.6% YOY to SAR 119 Mn in 3Q25, due to lower interest rates and increased capitalization of interest on assets under construction. The Company's zakat charges declined 10.7% YOY to SAR 20 Mn in 3Q25, while income tax expenses decreased significantly from SAR 22 Mn in 3Q24 to SAR 5 Mn in 3Q25. The Company's share of non-controlling interest declined substantially from SAR 2 Mn in 3Q24 to SAR 0.3 Mn in 3Q25.

Balance Sheet Highlights

Almarai's net cash flow from operations declined 2.7% YOY to SAR 1,304 Mn in 3Q25. Almarai's working capital increased from SAR 3,826 Mn in 3Q24 to SAR 4,412 Mn in 3Q25. Total debt grew from SAR 11.2 Bn in 2Q25 to SAR 12.6 Bn in 3Q25, driven by an issuance of USD-denominated Trust Certificates. Moreover, Almarai's reported free cash flow declined from SAR 316 Mn in 3Q24 to negative SAR 967 Mn in 3Q25. The Company's investment in capex grew from SAR 914 Mn in 3Q24 to SAR 1,002 Mn in 3Q25.

Target Price and Rating

We maintain our BUY rating on Almarai with a target price of SAR 65.00. Almarai reported improved profitability in 3Q25, driven by higher revenues supported by strong volume growth across all core markets and sales channels. The performance was further aided by growth across all product categories, disciplined cost management, a favourable product mix, and lower funding costs. Recently, Almarai completed the acquisition of Pure Beverage Industry Co. for SAR 1.01 Bn to strengthen its presence in the fragmented KSA bottled water market. This acquisition had a positive impact on revenue from other activities, which grew 78.5% YOY in 3Q25, driven by the introduction of the water business category. This acquisition is expected to provide further opportunities to expand market share, drive industry consolidation, and enhance product quality, thereby reinforcing portfolio diversification and solidifying its position in the beverages segment. Almarai sustained a strong market position across key product categories, including Dairy, Juice, Food, Bakery, and Poultry in the KSA region. Almarai's revenue was also supported by strong growth across both Modern and Traditional trade, which accounted for 23.0% and 57.0%, respectively, during 3Q25. The modern trade channel experienced high and double-digit growth of 14% in 3Q25, driven by strategic retailer partnerships, strong consumer demand, and successful promotional activities across key product categories. Additionally, the Company also remains committed to its SAR 18 Bn mega-capex plan, aimed at doubling poultry production capacity, expanding its dairy, juice, and bakery segments, and strengthening its supply chain and sales infrastructure. Additionally, Almarai continues to explore new growth opportunities both organically and through strategic acquisitions, which are expected to enhance its product portfolio and operational reach further. Thus, we maintain our BUY rating on the stock.

Almarai - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	25.15	31.91	28.36	24.35	21.57	20.23
PB	3.18	3.10	2.99	2.80	2.66	2.46
EV/EBITDA	14.61	16.13	15.00	13.78	13.07	12.60
BVPS	15.687	16.119	16.671	17.798	18.791	20.258
EPS	1.984	1.564	1.760	2.049	2.313	2.467
DPS	1.000	1.000	1.000	1.000	1.000	1.060
Dividend yield	2.0%	2.0%	2.0%	2.0%	2.0%	2.1%

FABS Estimates & Co Data

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Almarai – P&L

SAR Mn	3Q24	2Q25	3Q25A	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Sales	5,209	5,288	5,553	5,485	1.2%	6.6%	5.0%	20,980	22,271	6.2%
Cost of Sales	-3,539	-3,575	-3,805	-3,703	2.8%	7.5%	6.4%	-14,315	-15,322	7.0%
Gross profit	**1,670**	**1,713**	**1,747**	**1,783**	**-2.0%**	**4.6%**	**2.0%**	**6,664**	**6,948**	**4.3%**
S&D Expenses	-778	-766	-836	-773	8.1%	7.4%	9.1%	-2,994	-3,207	7.1%
G&A expenses	-103	-130	-122	-134	-9.0%	18.1%	-6.4%	-508	-525	3.2%
Other expense/income	-30	12	-30	-41	-26.0%	2.7%	NM	-63	-56	-11.9%
Impairment	-16	-16	-2	-22	-90.5%	-87.3%	-86.7%	-103	-44	-57.1%
Operating profit	**742**	**813**	**757**	**812**	**-6.8%**	**2.0%**	**-6.9%**	**2,995**	**3,117**	**4.1%**
Investment & other income	0	0	0	0	NM	NM	NM	-2	-1	NM
Financial costs (net)	-128	-125	-119	-122	-2.8%	-7.6%	-5.1%	-530	-487	-8.1%
Profit before zakat	**614**	**688**	**639**	**690**	**-7.5%**	**4.0%**	**-7.2%**	**2,463**	**2,628**	**6.7%**
Zakat	-23	-28	-20	-22	-7.2%	-10.7%	-26.9%	-105	-113	7.3%
Income Tax	-22	-13	-5	-6	-23.8%	-78.9%	-63.8%	-44	-47	6.7%
Profit before NCI	**569**	**647**	**614**	**662**	**-7.4%**	**7.9%**	**-5.2%**	**2,314**	**2,468**	**6.7%**
Non-controlling interests	-2	0	0	0	NM	NM	13.5%	1	1	117.6%
Profit attributable	**570**	**647**	**613**	**662**	**-7.4%**	**7.5%**	**-5.2%**	**2,313**	**2,467**	**6.6%**

FABS estimate & Co Data

Almarai - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	32.1%	32.4%	31.5%	-59	-93	31.8%	31.2%	-56
Operating Profit	14.3%	15.4%	13.6%	-61	-174	14.3%	14.0%	-28
Net Profit	11.0%	12.2%	11.0%	9	-119	11.0%	11.1%	5

FABS estimate & Co Data

Valuation:

We use the Discounted Free Cash Flow (DCF) and Relative Valuation (RV) method to value Almarai. We have assigned 70% weight to DCF, and 30% to the RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	70.64	70.0%	49.45
Relative Valuation (RV)	51.84	30.0%	15.55
Weighted Average Valuation (SAR)			**65.00**
Current market price (SAR)			49.76
Upside/Downside (%)			+31%

1) DCF Method:

Almarai is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.9%. It arrived after using a cost of equity of 8.4%, and after-tax cost of debt of 6.0% with a debt-to-equity ratio of 25.3%. Cost of equity is calculated by using the 10-year government bond yield of 4.9%, beta of 0.80 and equity risk premium of 4.4%. Government bond yield is calculated after adding the KSA 10-year CDS spread over the 10-year US risk-free rate. The cost of debt of 6.0% is calculated after adjusting for a tax rate of 4.3%. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (SAR, Mn)	14,824
Terminal value (SAR, Mn)	68,257
FV to Common shareholders (SAR, Mn)	**70,643**
No. of share (Mn)	1,000
Current Market Price (SAR)	49.76
Fair Value per share (SAR)	**70.64**

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Cash Flow from Operations	5,563	6,030	6,214	6,623	7,339	7,858
CAPEX	-5,056	-4,121	-3,043	-2,513	-2,532	-2,534
Free Cash Flow to Firm (FCFF)	**127**[1]	**1,909**	**3,171**	**4,110**	**4,807**	**5,324**
Discounting Factor	0.98	0.91	0.84	0.78	0.73	0.67
Discounted FCFF	**124**	**1,738**	**2,677**	**3,216**	**3,487**	**3,581**

Source: FAB Securities, [1]Adjusted for the partial year

2) Relative Valuation:

We have used local as well as international peers to value Almarai, and it is valued using the EV/EBITDA multiple. It is valued at a 2026 EV/EBITDA multiple of 12.0x and valued in line with SADAFCO. We have applied a premium to the median valuation multiple.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2025F	2026F	2025F	2026F
Savola	2,014	5.6	5.2	13.5	11.7
SADAFCO	2,299	12.3	12.7	18.7	17.5
Agthia	878	9.0	6.7	17.8	9.3
Mezzan Holdings	1,168	11.1	11.4	22.7	19.7
Halwani Brothers	382	11.3	9.5	22.2	16.7
National Agricultural Dev Co.	1,822	7.7	7.1	16.0	15.8
Average		**9.5x**	**8.8x**	**18.5x**	**15.1x**
Median		**10.1x**	**8.3x**	**18.2x**	**16.3x**
Max		**11.3x**	**10.9x**	**21.3x**	**17.3x**
Min		**8.0x**	**6.8x**	**16.4x**	**12.7x**

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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