

Almarai Company

Broad-based volume growth supported the top line

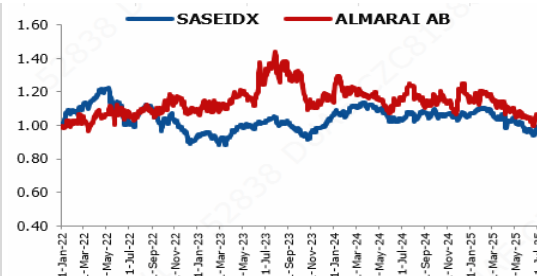
Current Price
SAR 49.36

Target Price
SAR 65.00

Upside/Downside (%)
+32%

Rating
BUY

- Revenue grew 2.6% YOY to SAR 5,288 Mn in 2Q25, due to strong performance in food and bakery categories.
- Almarai's operating profit grew 2.6% YOY to SAR 813 Mn in 2Q25, with the operating profit margin contracted marginally 1 bps YOY to 15.4% in 2Q25.
- Almarai has embarked a SAR 18 Bn capex program, with SAR 1.1 Bn already deployed in 1Q25.
- The Company's total debt grew from SAR 10.6 Bn in 1Q25 to SAR 11.2 Bn in 2Q25, while net debt rose from SAR 10.0 Bn in 1Q25 to SAR 10.8 Bn in 2Q25.



Stock Information

Market Cap (SAR, Mn)	49,360.00
Paid Up Capital (Mn)	10,000.00
52 Week High	61.50
52 Week Low	47.65
3M Avg. daily value(SAR)	49,598,550

2Q25 Net Profit in line with our estimate

Almarai Company ("Almarai, "the Company") recorded a 4.4% YOY increase in net profit to SAR 647 Mn in 2Q25, in line with our estimate of SAR 645 Mn. The increase in net profit is primarily due to higher revenue driven by strong performance in the Foods and Bakery categories, an increase in other income, coupled with lower impairments and finance costs, partially offset by higher costs of sales, S&D and G&A expenses, and higher zakat and income tax expenses.

2Q25 Result Review (SAR, Mn)

Total Assets	37,755
Total Liabilities	18,391
Total Equity	19,364
EBITDA	1,424
Net Profit	647

P&L Highlights

Almarai's revenue grew 2.6% YOY to SAR 5,288 Mn in 2Q25, driven primarily by strong growth in the food and bakery segments, which supported positive performance across core markets and all sales channels. Revenue from the Dairy and Juice segment grew 2.8% YOY to SAR 3,515 Mn in 2Q25, supported by the Food and Long-life categories. Revenue from the Bakery business segment recorded highest growth of 7.6% YOY to SAR 695 Mn in 2Q25, due to an improve performance across the bread subcategory. Moreover, revenue from the Poultry segment increased marginally 0.1% YOY to SAR 970 Mn in 2Q25, largely due to the segment operating at full capacity. Additionally, revenue from other activities declined 9.7% YOY to SAR 108 Mn in 2Q25, due to the absence of a significant one-off corn and soy sale to a third party. On the other hand, cost of sales increased 3.6% YOY to SAR 3,575 Mn in 2Q25. However, gross profit increased marginally 0.6% YOY to SAR 1,713 Mn in 2Q25. The Company's gross profit margins contracted 63 bps YOY to 32.4% in 2Q25, primarily due to increased ingredient and diesel transportation costs, along with a shift in product mix. S&D expenses rose 5.4% YOY to SAR 766 Mn in 2Q25. G&A expenses also increased 4.6% YOY to SAR 130 Mn in 2Q25. In addition, the Company recorded an other income of SAR 12 Mn in 2Q25, compared to an other expense of SAR

Financial Ratios

Dividend Yield (12m)	2.03
Dividend Pay-out (%)	43.23
Price-Earnings Ratio(x)	20.51
Price-to-Book Ratio (x)	2.55
Book Value (SAR)	19.36
Return-on Equity (%)	12.75

Stock Performance

5 Days	-3.50%
1 Months	-3.22%
3 Months	-8.59%
6 Months	-11.54%
1 Year	-14.45%
Month to Date (MTD%)	-2.64%
Quarter to Date (QTD%)	-2.64%
Year to Date (YTD%)	-13.71%

40 Mn in 2Q24. Impairment charges declined 15.2% YOY to SAR 16 Mn in 2Q25. As a result, Almarai's operating profit grew 2.6% YOY to SAR 813 Mn in 2Q25. Operating profit margin contracted marginally 1 bps YOY to 15.4% in 2Q25. Furthermore, net finance cost fell 12.4% YOY to SAR 125 Mn in 2Q25. The Company's zakat charges increased 21.9% YOY to SAR 28 Mn in 2Q25, while income tax expenses boosted significantly from SAR 6 Mn in 2Q24 to SAR 13 Mn in 2Q25. The Company's share of non-controlling interest declined from SAR 1 Mn in 2Q24 to SAR 0.2 Mn in 2Q25.

Balance Sheet Highlights

Almarai's net cash flow from operations grew 24.6% YOY to SAR 1,460 Mn in 2Q25, mainly due to an increase in working capital activities. Total debt grew from SAR 10.6 Bn in 1Q25 to SAR 11.2 Bn in 2Q25. Additionally, the Company's net debt grew from SAR 10.0 Bn in 1Q25 to SAR 10.8 Bn in 2Q25. Moreover, Almarai's reported free cash flow declined from SAR 748 Mn in 2Q24 to SAR 383 Mn in 2Q25.

Target Price and Rating

We maintain our BUY rating on Almarai with a target price of SAR 65.00. Almarai reported improved profitability in 2Q25, supported by higher revenues driven by stronger volumes, partially offset by softer net pricing. The Company's bottom line was further aided by lower impairments and lower finance costs during 2Q25. Almarai's pricing declined in 2Q25, primarily due to discounting in the poultry segment, as well as some impact from price reductions in the long-life dairy category. However, the Company's volume recorded a growth of 8.0% in 1H25. Almarai's revenue was supported by strong growth across both Modern and Traditional trade, which accounted for 23.0% and 58.0%, respectively, during 2Q25. Almarai further consider modern trade as a key growth channel, with a strong focus on profitable expansion through strategic retailer partnerships and improved returns on trade investments. Almarai sustained a strong market position across key product categories, including Dairy, Juice, Food, Bakery, and Poultry in the KSA region. The Company introduced value-tier products as a strategic initiative to support future production expansion. Almarai is enhancing its ice cream portfolio by launching new SKUs and expanding retail presence, while assessing long-term investments in manufacturing infrastructure. Almarai delivered strong volume growth of c.11% in its poultry segment during 2Q25 and continues to execute a back-loaded strategy, with further volume acceleration anticipated in 2H25. Moreover, Almarai maintained its multi-tier pricing strategy, known as the "price piano," allowing it to cater to premium, mass-market, and value segments. This approach ensures broad market coverage, while sustaining the Company's premium brand positioning. Recently, Almarai signed a share purchase agreement to acquire 100% of Pure Beverages Industry Company for SAR 1.0 Bn. This acquisition is expected to expand the Company's beverage portfolio and enhance its consumer offerings. Almarai also embarked on a SAR 18 Bn capex program, with SAR 1.1 Bn already deployed in 1Q25. The investment is aimed at expanding production capacity, enhancing operational efficiency, and supporting long-term growth across core segments, including Poultry, Dairy, and Bakery, while also strengthening logistics infrastructure. The Company also seeks to enter new growth areas organically and via acquisitions, which is expected to boost its product portfolio and operational footprint. Thus, based on our analysis, we maintain our BUY rating on the stock.

Almarai - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	25.3	32.1	28.5	24.5	21.7	19.6
PB	3.2	3.1	3.0	2.8	2.7	2.5
EV/EBITDA	14.7	16.2	15.1	13.8	13.1	11.9
BVPS (SAR)	15.687	16.119	16.671	17.798	18.791	20.344
EPS (SAR)	1.984	1.564	1.760	2.049	2.313	2.553
DPS (SAR)	1.000	1.000	1.000	1.000	1.000	1.000
Dividend yield	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

FABS Estimates & Co Data

Almarai – P&L

SAR Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Sales	5,155	5,767	5,288	5,433	-2.7%	2.6%	-8.3%	20,980	22,407	6.8%
Cost of Sales	-3,452	-3,998	-3,575	-3,667	-2.5%	3.6%	-10.6%	-14,315	-15,304	6.9%
Gross profit	1,702	1,769	1,713	1,766	-3.0%	0.6%	-3.1%	6,664	7,103	6.6%
S&D Expenses	-727	-754	-766	-766	0.0%	5.4%	1.6%	-2,994	-3,204	7.0%
G&A expenses	-124	-129	-130	-133	-1.9%	4.6%	0.6%	-508	-520	2.4%
Other expense/income	-40	-11	12	-41	NM	NM	NM	-63	-56	-11.3%
Impairment	-18	0	-16	0	NM	-15.2%	NM	-103	-78	-24.2%
Operating profit	793	874	813	826	-1.6%	2.6%	-7.0%	2,995	3,244	8.3%
Investment & other income	0	-1	0	0	NM	NM	-64.1%	-2	-1	NM
Financial costs (net)	-143	-100	-125	-150	-16.8%	-12.4%	25.3%	-530	-522	-1.5%
Profit before zakat	650	774	688	676	1.8%	5.8%	-11.1%	2,463	2,720	10.4%
Zakat	-23	-27	-28	-24	15.0%	21.9%	1.9%	-105	-117	11.1%
Income Tax	-6	-15	-13	-7	90.3%	NM	-11.6%	-44	-49	10.5%
Profit before NCI	621	732	647	645	0.3%	4.2%	-11.5%	2,314	2,554	10.4%
Non-controlling interests	1	0	0	0	NM	NM	-26.7%	1	1	125.3%
Profit attributable	620	731	647	645	0.3%	4.4%	-11.5%	2,313	2,553	10.4%

FABS estimate & Co Data

Almarai - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	33.0%	30.7%	32.4%	-63	173	31.8%	31.7%	-6
Operating Profit	15.4%	15.2%	15.4%	-1	22	14.3%	14.5%	20
Net Profit	12.0%	12.7%	12.2%	21	-45	11.0%	11.4%	37

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	69.57	70.0%	48.70
Relative Valuation (RV)	54.34	30.0%	16.30
Weighted Average Valuation (SAR)			65.00
Current market price (SAR)			49.36
Upside/Downside (%)			+32%

1) DCF Method:

Almarai is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 7.9%. It is arrived after using cost of equity of 8.3% and after-tax cost of debt of 6.0% with debt-to-equity ratio of 22.4%. Cost of equity is calculated by using 10-year government bond yield of 4.5%, beta of 0.80 and equity risk premium of 4.0%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk free rate. Cost of debt is calculated using the cost of debt of 6.0% after adjusting a tax rate of 4.3%. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (SAR, Mn)	11,951
Terminal value (SAR, Mn)	68,845
FV to Common shareholders (SAR, Mn)	69,568
No. of share (Mn)	1,000
Current Market Price (SAR)	49.90
Fair Value per share (SAR)	69.57

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Cash Flow from Operations	6,157	6,301	6,509	7,166	7,752
CAPEX	-5,047	-5,375	-2,373	-2,554	-2,653
Free Cash Flow to Firm (FCFF)	555¹	926	4,136	4,612	5,100
Discounting Factor	0.96	0.89	0.83	0.77	0.71
Discounted FCFF	535	827	3,424	3,539	3,627

Source: FAB Securities, ¹Adjusted 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 2025 EV/EBITDA multiple of 13.0x and valued in line with SADAFCO. We have applied a premium to the median valuation multiple.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Savola	2,166	5.4	5.1	15.6	12.6
SADAFCO	2,392	12.8	11.8	18.8	16.5
Agthia Group	948	7.1	6.6	10.8	9.3
Mezzan Holdings	1,202	11.1	11.4	23.3	20.2
Halwani Brothers	435	12.6	10.6	25.3	19.0
National Agricultural Dev Co.	1,743	7.4	6.7	14.4	14.2
Average		9.4x	8.7x	18.0x	15.3x
Median		9.3x	8.6x	17.2x	15.4x
Max		12.2x	11.2x	22.1x	18.4x
Min		7.2x	6.6x	14.7x	13.0x

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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