February 2026

Almarai Co.

Investment Update

Earnings are in-line with forecasts; near-term challenges persist, but the medium-term outlook is encouraging. At 2026E P/E of 17.5x, there is scope for re-rating.

After adjusting for non-recurring items, net income for Q4-25 was largely stable at SAR 432.9mn, while normalized earnings recorded a modest 2.8% Y/Y increase in 2025. Almarai is facing competitive pricing pressure across its key segments (dairy, juice and poultry), that stressed margins in 2025. In the near term, along with the aforementioned competitive pressure, we expect increase in depreciation expense and finance costs to offset some of the gains from growth in volumetric sales. Overall, we revise down 2026/27 earning estimates by 3.6/11.1% to SAR 2,523/2,655mn, respectively. That said, companies' medium-term outlook is encouraging as it offers 2025-28 revenue and net income CAGR of 4.9/5.5%, respectively. We see a potential for increase in milk prices, a segment where Almarai is a price setter. At 2026e PE of 17.5x the company trades at a 36.1% discount to its 5-year average multiple of 27.4x. After the 23.8% decline in stock price in last twelve months, we upgrade Almarai to "Overweight" with price target of SAR 52.5 per share.

After adjusting for non-recurring items, net income remained broadly unchanged on a Y/Y basis in Q4-25: Almarai posted net income of SAR 464.8mn in Q4-25, up 7.9% Y/Y and down 24.2% Q/Q, respectively. Adjusted for one off gain on disposal of investment, net income comes down to SAR 432.9mn, in line with AJC estimate of SAR 438mn (-1.14% deviation) and slightly lower than consensus expectation of SAR 468.2mn (-7.5% deviation). The Y/Y improvement in bottom-line is mainly owed to improvement in other income. Dairy and juice category saw an increase in profitability due to higher sales and tight cost management. Bakery segment's net earnings expanded due to revenue growth and improving revenue mix. Poultry segment witnessed a slight decline in profits in Q4-25 due to pricing pressures. Company's revenues increased by 5.8% Y/Y to SAR 5,456mn, in line with our estimate of SAR 5,431mn (deviation of +0.46%). Revenue growth was driven by strong volume growth across most products and countries. The gross profit was reported at SAR 1,658mn (+4.8% Y/Y, -5.1% Q/Q), 0.66% above our estimate of SAR 1,647mn. The GP margin stood at 30.4% in Q4-25, a contraction of 31bps Y/Y and 107bps Q/Q, and 10bps above our estimate of 30.3%. The decline is due to increase in transportation costs and drop in poultry prices. Operating profit stood at SAR 600.6mn, a rise of 2.8% Y/Y (a drop of 23.8% Q/Q), due to higher sales and cost controls. Operating margins declined by 18bps Y/Y to 11.3% in Q4-25 (-236bps Q/Q); -30bps lower than our estimate.

Poultry segment a drag on overall performance; 2026 likely to see sustained competitive pressure: Fresh poultry producers in the Kingdom have added massive capacities which along with frozen imports have created an oversupply of Chicken in the local market. Producers are resorting to discounting, poultry prices were down 2.6% Y/Y in Dec-25 according to GASTAT, which is pressuring the profit margins. On a full year basis poultry prices averaged down 3.4% Y/Y in 2025. Net margin of Almarai's poultry segment declined from 12.8% in 2024 to 12.5% in 2025, down 34bps Y/Y. Net margins declined to 8% in Q4-25 vs 9% in the same period last year, while profits declined by 1% Y/Y despite 5% Y/Y increase in sales. Poultry now contributes a sizable ~18% of Almarai's sales as compared to 14.9% in 2020, hence a slowdown in the segment is dragging company's overall performance. Our discussions with industry players suggest that sector is hoping for government import curbs to help ease competition, however since the country is not fully self-dependent, we see low likelihood of government imposing very tight import controls. We see less chances of sustained price increase in 2026, however in the long run industry consolidation might help improve competitive landscape of the sector.

Pricing pressure led margin compression also visible in the dairy and juice segment; an increase of 25 halala in milk prices can improve net income by ~5%: Almarai, the market leader in dairy segment with a value share of 49%, is also discounting and facing stiffer competition in dairy and juice category. According to GASTAT, fresh whole or low-fat animal milk/ milk & other cream/ cheese/ yoghurt/ ice-cream prices averaged down 0.5/ 1.7/ 5.6/ 0.3/ 1.3% Y/Y in 2025, respectively. Fruit and vegetable juice prices also remained largely stagnant (down 0.1% Y/Y in 2025). This price pressure along with an increase in transportation costs resulted in a 13bps decline in this category's net margins in 2025 to 10.5%. We see possibility of price increase in this segment, especially since Almarai has pricing power, we estimate a 25 halala increase in milk prices to have an positive earnings impact of 5%.

Recommendation	Overweight
Target Price (SAR)	52.5
Upside / (Downside)*	22.0%

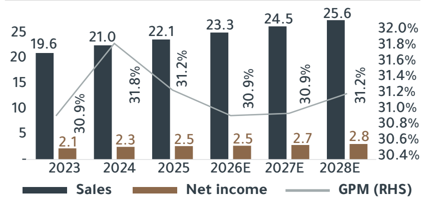
Source: Tadawul *prices as of 1st of February 2026

Key Financials

SARmn (unless specified)	FY25	FY26E	FY27E	FY28E
Revenues	22,065	23,342	24,467	25,609
Growth %	5.2%	5.8%	4.8%	4.7%
Gross profit	6,888	7,217	7,571	7,984
EBIT	3,060	3,168	3,340	3,572
EBITDA	4,724	5,165	5,523	5,900
Net Income	2,456	2,523	2,655	2,837
Growth %	6.1%	2.7%	5.2%	6.8%
EPS	2.46	2.52	2.66	2.84
DPS	1.15	1.15	1.35	1.50

Source: Company reports, Aljazira Capital Research

Fig 1: Profitibility trend (SAR bn)



Source: Tadawul, AlJazira Capital Research

Key Ratios

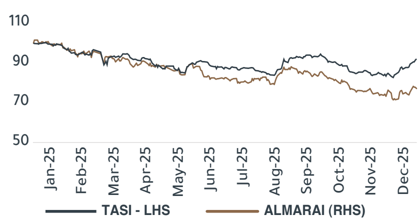
	FY25	FY26E	FY27E	FY28E
Gross Margin	31.2%	30.9%	30.9%	31.2%
EBIT margin	13.9%	13.6%	13.7%	13.9%
EBITDA margin	21.4%	22.1%	22.6%	23.0%
Net Margin	11.1%	10.8%	10.9%	11.1%
P/E (x)	17.61	17.49	16.62	15.56
P/B (x)	2.11	2.02	1.90	1.80
EV/EBITDA (x)	10.61	10.27	9.53	8.83
Dividend Yield	2.3%	2.6%	3.1%	3.4%

Source: Company reports, Aljazira Capita Research

Key Market Data	
Market Cap(bn)	44.6
YTD%	4.25%
52 week (High)/(Low)	59.3/41.2
Share Outstanding (mn)	1000.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Bloomberg, Aljazira Capital Research

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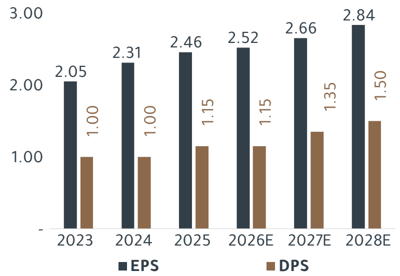
Increase in depreciation expense and finance costs to offset some of the gains from volumetric sales growth in 2026; Capital work in progress stands at SAR 5.8bn as of Dec-25: Almarai has financed sizable portion of recent investments (SAR1.04bn Pure beverages and SAR 5.7bn poultry capacity) through debt, as a result total loans have grown by 30% in the last three years to SAR 12.6bn. The cost of financing isn't fully reflected on income statement due to capitalization of interest, once these assets come into use (Capital work in progress stands at SAR 5.8bn as of Dec-25) the depreciation expense and interest charges will see an increase. Hence in a low margin environment, the improvement in profits due to higher volumetric sales would to a certain extent be offset by higher depreciation and interest charges. In 2026, we see a 5.8% Y/Y increase in total sales to SAR 23.3bn, to translate into a 4.8% Y/Y increase in gross profit, 3.5% increase in operating profit and just 2.7% increase in net profit to SAR 2,523mn. The aforementioned is on the back of 30bps Y/Y contraction in gross/operating margin to 30.9%/13.6% and 32bps Y/Y reduction in net margin to 10.8%.

Medium term outlook is encouraging, driven by the ramping up of new capacities, potential increase in product prices, and lowering of financial charges: Where we acknowledge the near-term challenges, we are optimistic on Almarai's medium term outlook. Our investment thesis is premised on (1) Healthy volumetric growth, (2) potential increase in product prices (especially milk), (3) improving supply chain efficiencies, (4) decline in commodity prices, and (5) reduction in financing costs as company de-levers and interest rates further move down. Overall, we expect the company to post a 2025-29 net income and revenue CAGR of 4.9/5.5%, as new facilities ramp up and reach optimal efficiencies, and other cost saving measures start showing noticeable improvement. Overall, we expect gross/operating margins to improve by 31/49bps to 31.5/14.4% over 2025-2029, respectively.

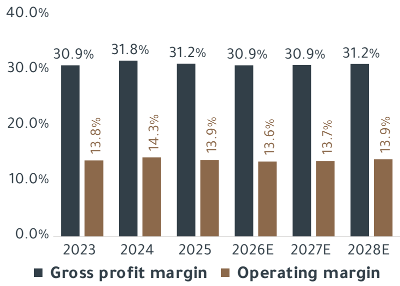
Strong cash generation has enabled higher dividends in a high capex environment; free cash generation to turn positive from 2026: After more than 5 years of stable SAR 1 per share (SAR 1.0bn) dividend, Almarai has increased its dividend to SAR 1.15 per share (SAR 1.15bn) for 2025. The increase in dividend disbursement comes despite record high capital expenditure of SAR ~6.0bn, as the company generated a massive SAR 5.7bn operating cash flow. Going forward, with the end of the capex cycle (more than SAR 12bn capex done in last three years) we expect free cash generation to sizably improve enabling company to further increase payouts.

Fig 2: EPS and DPS



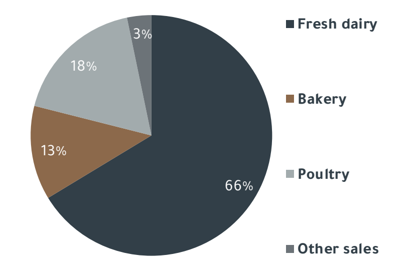
Source: Company reports, Aljazira Capital Research

Fig 3: Gross and operating margins



Source: Company reports, Aljazira Capital Research

Fig 4: Revenue % share by segment



Source: Company reports, Aljazira Capital Research

AJBC view and valuation: Almarai is facing pressure from increased competition and rise in operating costs; in the near-term depreciation and finance costs are expected to offset some of the gains from volumetric increase in sales. However, medium term outlook is positive, driven by volumetric growth, product price increases, decline in commodity prices and lower finance costs. Overall, we expect the company to post a 2025-29 net income and revenue CAGR of 5.5/4.9%. After the 23.8% decline in stock price the company currently trades at a 36.1% discount to its 5-year average PE of 27.4x, which provides a good entry point.

We have valued Almarai based on 50% weight to DCF (assuming WACC of 8.0%, terminal growth of 2.5%), 25% weight to 2025E PE (24x), and 25% weight to 2025E EV/EBITDA (13.5x) to arrive at revised price target of **SAR 52.5/share**, implying an upside of 22.0%. Hence, we upgrade our rating to "**Overweight**" on the stock.

Blended valuation summary

Blended Valuation	Fair Value	Weights	Weighted Avg
DCF	46.7	50%	23.34
EV/EBITDA	57.8	25%	14.44
PE	58.0	25%	14.51
Weighted average 12M PT			**52.5**
Upside			**22.0%**

Source: Company's report, AlJazira Capital Research, price as of 1st February 2026 aljazira capital الجزيرة كابيتال

Key Financial Data

Amount in SARmn, unless otherwise specified	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement								
Sales revenue	19,576	20,980	22,065	23,342	24,467	25,609	26,710	27,363
YoY sales revenue growth	**4.6%**	**7.2%**	**5.2%**	**5.8%**	**4.8%**	**4.7%**	**4.3%**	**2.4%**
Cost of sales	(13,524)	(14,315)	(15,177)	(16,126)	(16,897)	(17,625)	(18,289)	(18,691)
Gross profit	**6,051**	**6,664**	**6,888**	**7,217**	**7,571**	**7,984**	**8,421**	**8,672**
Gross profit margin	**30.9%**	**31.8%**	**31.2%**	**30.9%**	**30.9%**	**31.2%**	**31.5%**	**31.7%**
Selling & marketing expenses	(2,790)	(2,994)	(3,231)	(3,405)	(3,558)	(3,710)	(3,856)	(3,936)
General & administration expenses	(469)	(508)	(561)	(591)	(617)	(643)	(668)	(682)
Other income /(Expenses)	(99)	(167)	(35)	(53)	(55)	(58)	(61)	(64)
Operating profit	**2,694**	**2,995**	**3,060**	**3,168**	**3,340**	**3,572**	**3,836**	**3,990**
Operating profit margin	**13.8%**	**14.3%**	**13.9%**	**13.6%**	**13.7%**	**13.9%**	**14.4%**	**14.6%**
EBITDA	**4,406**	**4,684**	**4,724**	**5,165**	**5,523**	**5,900**	**6,220**	**6,431**
EBITDA margin	**22.5%**	**22.3%**	**21.4%**	**22.1%**	**22.6%**	**23.0%**	**23.3%**	**23.5%**
Bank charges	(527)	(530)	(463)	(499)	(532)	(572)	(612)	(618)
Income from main & continuing operation	**2,166**	**2,463**	**2,596**	**2,668**	**2,807**	**2,999**	**3,222**	**3,370**
Zakat	(114)	(150)	(139)	(144)	(151)	(162)	(174)	(182)
Net income	**2,052**	**2,314**	**2,456**	**2,523**	**2,655**	**2,837**	**3,048**	**3,188**
YoY net income growth	**16.6%**	**12.8%**	**6.1%**	**2.7%**	**5.2%**	**6.8%**	**7.4%**	**4.6%**
EPS	**2.05**	**2.31**	**2.46**	**2.52**	**2.66**	**2.84**	**3.05**	**3.19**
DPS	**1.00**	**1.00**	**1.15**	**1.15**	**1.35**	**1.50**	**1.75**	**1.95**
Balance sheet								
Cash & cash equivalents	666	528	523	602	1,586	2,615	4,545	6,562
Receivables & prepayments	2,565	2,422	2,696	2,818	2,919	3,055	3,186	3,264
Inventories	6,148	5,684	6,006	6,329	6,605	6,878	7,156	7,312
Total current assets	**11,455**	**8,784**	**9,392**	**9,924**	**11,294**	**12,740**	**15,087**	**17,343**
Property, plants and equipment	20,808	22,750	26,059	28,124	28,369	28,571	27,861	27,135
Biological assets	1,742	1,838	1,811	1,916	2,008	2,102	2,192	2,245
Total non-current assets	**24,739**	**26,784**	**30,575**	**32,789**	**33,132**	**33,431**	**32,797**	**32,109**
Total assets	**36,194**	**35,568**	**39,967**	**42,713**	**44,426**	**46,171**	**47,884**	**49,453**
Short-term loans	3,611	1,370	1,645	2,278	2,301	2,324	2,347	2,370
Payables & accurals	4,246	4,049	4,415	4,652	4,855	5,056	5,260	5,375
Total current liabilities	**8,187**	**5,839**	**6,392**	**7,262**	**7,489**	**7,712**	**7,939**	**8,078**
Long-term loans	8,499	8,900	10,952	11,390	11,504	11,619	11,735	11,852
Employees' termination benefits	1,226	1,397	1,584	1,624	1,665	1,706	1,749	1,793
Total non-current liabilities	**10,199**	**10,938**	**13,048**	**13,551**	**13,732**	**13,916**	**14,105**	**14,297**
Total liabilities	**18,385**	**16,777**	**19,440**	**20,813**	**21,220**	**21,629**	**22,044**	**22,374**
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Retained earnings	6,403	7,674	9,105	10,340	11,580	12,917	14,215	15,453
Total shareholders' equity	**17,809**	**18,791**	**20,527**	**21,900**	**23,205**	**24,542**	**25,840**	**27,078**
Total equity	**36,194**	**35,568**	**39,967**	**42,713**	**44,426**	**46,171**	**47,884**	**49,453**
Key fundamental ratios								
Liquidty ratios								
Current ratio (x)	1.4	1.5	1.5	1.4	1.5	1.7	1.9	2.1
Cash ratio (x)	0.1	0.1	0.1	0.1	0.2	0.3	0.6	0.8
Profitability ratios								
Gross profit margin	30.9%	31.8%	31.2%	30.9%	30.9%	31.2%	31.5%	31.7%
Operating margin	13.8%	14.3%	13.9%	13.6%	13.7%	13.9%	14.4%	14.6%
Net Profit margin	10.5%	11.0%	11.1%	10.8%	10.9%	11.1%	11.4%	11.7%
EBITDA margin	22.5%	22.3%	21.4%	22.1%	22.6%	23.0%	23.3%	23.5%
Return on average assets	6.0%	6.4%	6.5%	6.1%	6.1%	6.3%	6.5%	6.6%
Return on average equity	11.8%	12.6%	12.5%	11.9%	11.8%	11.9%	12.1%	12.0%
Leverage ratio								
Debt / equity (x)	0.68	0.55	0.61	0.62	0.59	0.57	0.54	0.53
Interest coverage (x)	5.11	5.65	6.60	6.35	6.28	6.25	6.26	6.45
Market/valuation ratios								
EV/sales (x)	3.44	3.18	2.51	2.45	2.30	2.17	2.01	1.89
EV/EBITDA (x)	13.98	13.10	10.61	10.27	9.53	8.83	8.12	7.59
EPS (SAR)	2.05	2.31	2.46	2.52	2.66	2.84	3.05	3.19
BVPS (SAR)	17.80	18.79	20.53	21.90	23.21	24.54	25.84	27.08
Market price (SAR)	55.8	57.0	43.3	43.0	43.0	43.0	43.0	43.0
Market-Cap (SAR mn)	55,800	57,000	43,260	43,040	43,040	43,040	43,040	43,040
Dividend yield	1.8%	1.7%	2.3%	2.7%	3.1%	3.5%	4.1%	4.5%
P/E ratio (x)	27.19	24.63	17.61	17.06	16.21	15.17	14.12	13.50
P/BV ratio (x)	3.14	3.03	2.11	1.97	1.85	1.75	1.67	1.59

Source: Company reports, Aljazira Capital Research, * market price as of February 1, 2026 aljazira capital الجزيرة كابيتال

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RESEARCH DIVISION

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RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.