

FMCG

BUY: 12M TP @ 34.30

Upside +11.4%

Valuation Summary (TTM)

Price (SAR)	30.80
PER TTM (x)	27.2
P/Book (x)	2.7
P/Sales (x)	2.4
EV/Sales (x)	2.3
EV/EBITDA (x)	14.0
Dividend Yield (%)	NM
Free Float (%)	58%
Shares O/S (mn)	302
YTD Return (%)	14%
Beta	0.7

(mn)	SAR	USD
Market Cap	9,547	2,545
Total Assets	8,641	2,304

Price performance (%)	1M	3M	12M
NADEC	0%	13%	175%
Tadawul All Share Index	3%	12%	21%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR)	57,494	52,015	35,432
Avg Daily Volume (,000)	1,681	1,744	1,285
52 week	High	Low	CTL*
Price (SAR)	36.05	11.46	176.2

* CTL is % change in CMP to 52wk low

Major shareholders

Saudi Agricultural a	39%
Vanguard Group Inc/T	2.0%
BlackRock Inc	1.0%
Others	58.4%

Other details

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

Key ratios	2021	2022	2023
EPS (SAR)	-1.34	0.45	1.00
BVPS (SAR)	5.62	6.08	11.91
DPS (SAR)	0.00	0.00	0.00
Payout ratio (%)	0%	0%	0%

NADEC – one-off gains

NADEC, the food & beverage behemoth of Saudi reported its FY23 revenue at SAR 3.2bn witnessing a growth of 18.7% YoY, very much in line with our estimate. The revenue growth was on the back of 18.4% YoY increase in the dairy & food segment (96.3% of total revenue) to SAR 3bn and 17% YoY surge in the agriculture segment (3.7% of total revenue) to SAR 117mn in FY23. Dairy contributed the majority 45.16% to the overall revenue during the year at SAR 1.5bn (+20.9% YoY) on the back of new products and expansion. The long-life dairy products contributed 26% (SAR 833mn, +33.8% YoY) and the cheese & butter products contributed 11% (SAR 353.6mn) to the overall revenue during the year. The fresh juice products selling 36 varieties of fresh juices contributed 7.4% to the top line at SAR 235mn. The remaining revenue was contributed by the olive segment (2.15%) and the new addition red meat (4.6%). The direct cost increased moderately by 6.8% YoY compared to the growth in revenue leading to a significant rise in the gross profit by 46.4% YoY and margins expanded from 30% in 2022 to 37% in 2023. While the selling & marketing expenses and the general & admin expenses increased by 14.6% YoY and 53.4% YoY respectively in 2023 they were in line with the estimated levels. The lower operational direct cost led to a rise in EBITDA by 52.3% YoY to SAR 572mn and improvement in EBITDA margins to the highest levels at 17.9% in 2023. During the year NADEC's other income reached SAR 54mn, which included revenue from government grants of SAR 19.5mn and reversal of provision of zakat of SAR 26mn which were one-off gains. Overall, net profit increased to SAR 302mn (+216% YoY), 30% higher than our estimate of SAR 233mn. The net margins for the year improved by 590bps YoY to 9.4% from 3.5% in the same period last year. The recently completed rights issue has garnered sufficient capital to invest in new product and improve the current product pipeline. Based on the current results we retain our 2024 revenue estimate at SAR 3.7bn, while we believe margins will move higher than previously expected. We revised our 2024 net profit number upwards to SAR 366mn from SAR 287mn. We had initiated coverage on the stock with a BUY rating and a target price of SAR 34.30/share which has been achieved. We retain our BUY rating and target price, which offers an upside of 11.4% from the current levels.

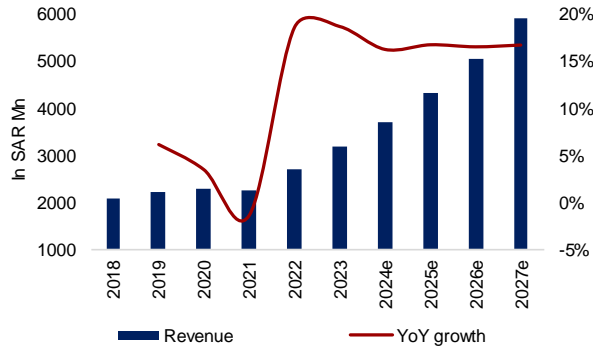
Key highlights for the year:

- In the fourth quarter of 2023, NADEC raised its share capital by SAR 2bn through a rights issue to fund expansion and improve the financial metrics.
- During the year, NADEC signed many significant MOU's and agreements - with Leha Group to produce potato and wheat seeds; with Pure Harvest for the production of fruit & vegetables using smart technologies; entered the red meat market with Minerva; agreement with Miracle tree life to provide with high quality agricultural crops. Besides, the company is associated with SIRC, ELION, Saudi Food Bank, Agricultural development fund, National Center for Palm and Dates, Institute of food industries etc.
- Nadec produced 1.5mn liters/day of dairy & juice products in 2023 vs 1.4mn liters/day in 2022.
- The company's herd of cows increased to 94 thousand in 2023 from 89 thousand in the same period last year.

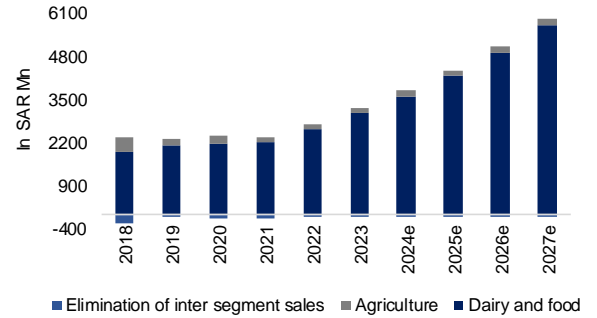




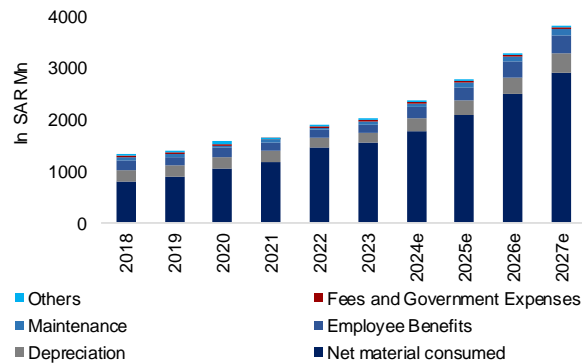
Expansion to drive revenue from 2025 onwards



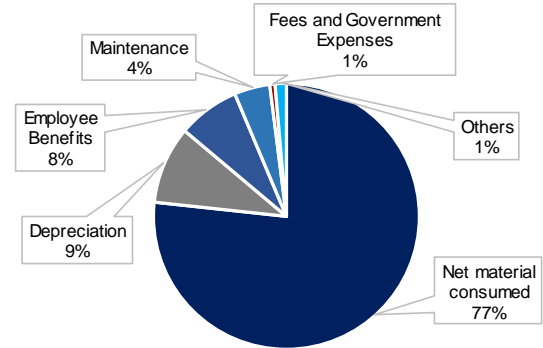
Dairy & food segment contributes 96% to topline



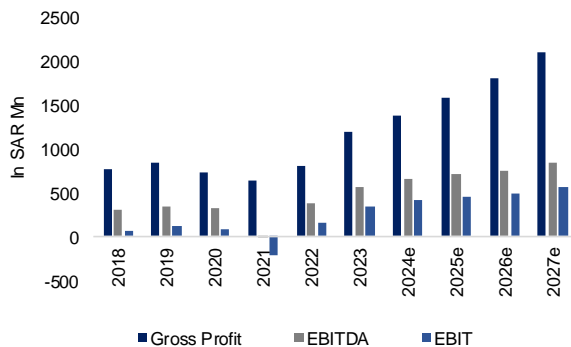
Govt subsidies partially offset raw material costs



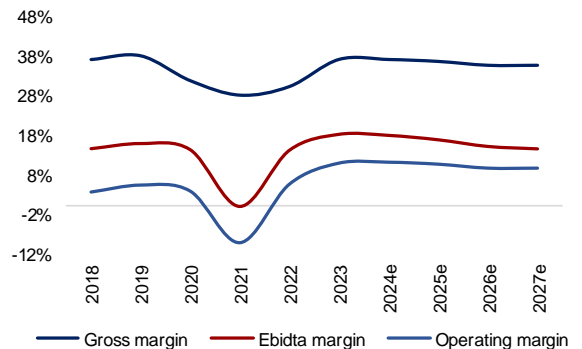
Raw material forms 77% of the total direct cost



Profitability has recovered post covid



Margins have reverted to mean



Source: Company reports, US research

Income statement (in SAR Mn)	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Revenue	2,303	2,272	2,694	3,197	3,716	4,338	5,054	5,898
Direct Costs	-1,577	-1,641	-1,886	-2,013	-2,341	-2,754	-3,260	-3,804
Gross Profit	726	631	808	1,184	1,375	1,583	1,794	2,094
Selling and marketing expenses	-545	-484	-488	-560	-669	-781	-910	-1,062
General and administrative expenses	-112	-148	-139	-213	-242	-282	-329	-383
Provisions on receivables/other	-101	-152	-21	-73	-19	-22	-25	-29
Other Income / (expenses) - net	120	-58	-13	6	-37	-43	-51	-59
EBIT	85	-213	147	345	409	455	480	560
EBITDA	324	-1	375	572	654	716	751	842
Share of results of joint venture	-	-	3	22	20	20	20	20
Finance costs	-44	-32	-49	-76	-44	-49	-55	-61
PBT	41	-245	101	290	385	426	446	519
Zakat	-6	-40	-6	-14	-19	-21	-22	-26
Net Profit	36	-285	95	302	366	405	423	493

Balance Sheet (in SAR Mn)	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Property, plant and equipment	1,963	1,810	1,713	1,761	2,840	2,881	2,942	2,991
Right-of-use assets	59	71	56	58	82	100	99	98
Biological assets	625	686	735	728	728	728	728	728
Other non current assets	128	178	203	149	149	149	149	149
Total non-current assets	2,775	2,745	2,707	2,695	3,798	3,858	3,917	3,966
Current inventories	537	452	516	560	656	771	913	1,065
Trade and other current receivables	326	288	371	464	557	651	758	885
Cash and bank balances	69	82	113	835	1,224	1,541	1,877	2,270
Other current assets	169	323	115	57	57	57	57	57
Total current assets	1,101	1,145	1,115	2,415	2,494	3,020	3,605	4,277
TOTAL ASSETS	3,876	3,890	3,822	5,110	6,292	6,878	7,522	8,243

Share capital	1,016	1,016	1,016	3,016	3,016	3,016	3,016	3,016
Reserves	207	210	223	233	233	233	233	233
Retained earnings	255	-30	56	344	709	968	1,229	1,511
Total Equity attributable to shareholders	1,478	1,196	1,295	3,593	3,958	4,217	4,479	4,760
Murabaha loans and borrowings	881	1,150	893	98	100	100	100	100
Lease liabilities	30	45	39	35	40	44	43	41
Employee benefit obligation	166	163	153	148	217	254	296	345
Other non current liabilities	6	5	5	4	4	4	4	4
Total non-current liabilities	1,082	1,364	1,090	284	361	402	442	490
Trade and other current payables	606	714	678	775	936	1,102	1,304	1,522
Murabaha loans and borrowings	610	486	633	279	941	1,060	1,201	1,375
Lease liabilities	33	25	16	18	17	19	18	18
Other current liabilities	67	105	110	78	78	78	78	78
Total current liabilities	1,315	1,330	1,437	1,232	1,972	2,259	2,601	2,992
Total liabilities	2,397	2,694	2,526	1,517	2,334	2,661	3,043	3,483
Total equity and liabilities	3,876	3,890	3,822	5,110	6,292	6,878	7,522	8,243

Cash Flow (in SAR Mn)	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Cash from operations	443	256	452	655	619	665	697	772
Investing cash flow	-217	-325	-243	-757	-1,299	-171	-100	-100
Financing cash flow	-220	82	-178	825	597	44	61	88
Change in cash	7	13	31	722	390	317	336	393
Beginning cash	62	69	82	113	835	1,224	1,541	1,877
Ending cash	69	82	113	835	1,224	1,541	1,877	2,270

Ratio Analysis	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Per Share								
EPS (SAR)	0.4	-2.8	0.9	1.0	1.2	1.3	1.4	1.6
BVPS (SAR)	14.5	11.8	12.7	11.9	13.1	14.0	14.8	15.8
DPS (SAR)	-	-	-	-	0.5	0.5	0.7	0.8
FCF per share (SAR)	2.2	-0.7	2.1	-0.3	-2.3	1.6	2.0	2.2
Valuation								
Market Cap (SAR Mn)	3,029	3,085	2,075	8,401	9,291	9,291	9,291	9,291
EV (SAR Mn)	4,514	4,710	3,544	7,995	9,164	8,972	8,775	8,554
EBITDA	324	-1	375	572	654	716	751	842
P/E (x)	85.0	-10.8	21.7	27.8	25.4	22.9	21.9	18.8
EV/EBITDA (x)	14.0	-	9.4	14.0	14.0	12.5	11.7	10.2
Price/Book (x)	2.0	2.6	1.6	2.3	2.3	2.2	2.1	2.0
Dividend Yield (%)				0.0%	1.6%	1.7%	2.3%	2.7%
Price to sales (x)	1.3	1.4	0.8	2.6	2.5	2.1	1.8	1.6
EV to sales (x)	2.0	2.1	1.3	2.5	2.5	2.1	1.7	1.5
Liquidity								
Cash Ratio (x)	0.1	0.1	0.1	0.7	0.6	0.7	0.7	0.8
Current Ratio (x)	0.8	0.9	0.8	2.0	1.3	1.3	1.4	1.4
Quick Ratio (x)	0.4	0.5	0.4	1.5	0.9	1.0	1.0	1.1
Returns Ratio								
ROA (%)	0.9%	-7.3%	2.5%	5.9%	5.8%	5.9%	5.6%	6.0%
ROE (%)	2.4%	-23.8%	7.4%	8.4%	9.2%	9.6%	9.5%	10.4%
ROCE (%)	1.4%	-11.1%	4.0%	7.8%	8.5%	8.8%	8.6%	9.4%
Cash Cycle								
Inventory turnover (x)	2.9	3.6	3.7	3.6	3.6	3.6	3.6	3.6
Accounts Payable turnover (x)	2.6	2.3	2.8	2.6	2.5	2.5	2.5	2.5
Receivables turnover (x)	7.1	7.9	7.3	6.9	6.7	6.7	6.7	6.7
Inventory days	124	101	100	101	102	102	102	102
Payable Days	140	159	131	140	146	146	146	146
Receivables days	52	46	50	53	55	55	55	55
Cash Cycle	36	-12	19	14	11	11	11	11
Profitability Ratio								
Net Margins (%)	1.5%	-12.5%	3.5%	9.4%	9.8%	9.3%	8.4%	8.4%
EBITDA Margins (%)	14.0%	0.0%	13.9%	17.9%	17.6%	16.5%	14.9%	14.3%
PBT Margins (%)	1.8%	-10.8%	3.8%	9.1%	10.4%	9.8%	8.8%	8.8%
EBIT Margins (%)	3.7%	-9.4%	5.5%	10.8%	11.0%	10.5%	9.5%	9.5%
Effective Tax Rate (%)	13.8%	-16.2%	5.9%	4.9%	5.0%	5.0%	5.0%	5.0%
Leverage								
Total Debt (SAR Mn)	1,553	1,707	1,581	429	1,098	1,223	1,362	1,534
Net Debt (SAR Mn)	1,485	1,625	1,468	-406	-127	-318	-516	-736
Debt/Equity (x)	1.1	1.4	1.2	0.1	0.3	0.3	0.3	0.3
Net Debt/Equity (x)	1.0	1.4	1.1	-0.1	-0.0	-0.1	-0.1	-0.2

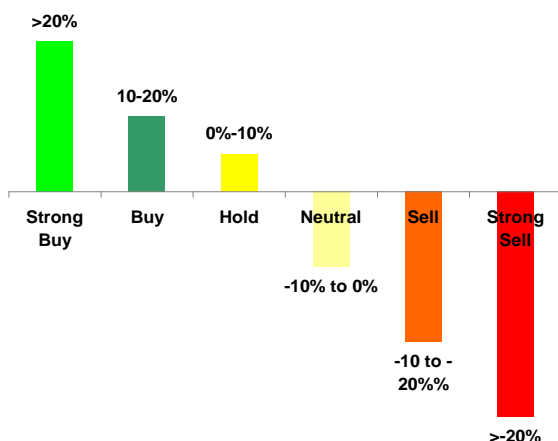
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Rating Criteria and Definitions

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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