

Almarai Company (Almarai) - 4Q23 Result Review

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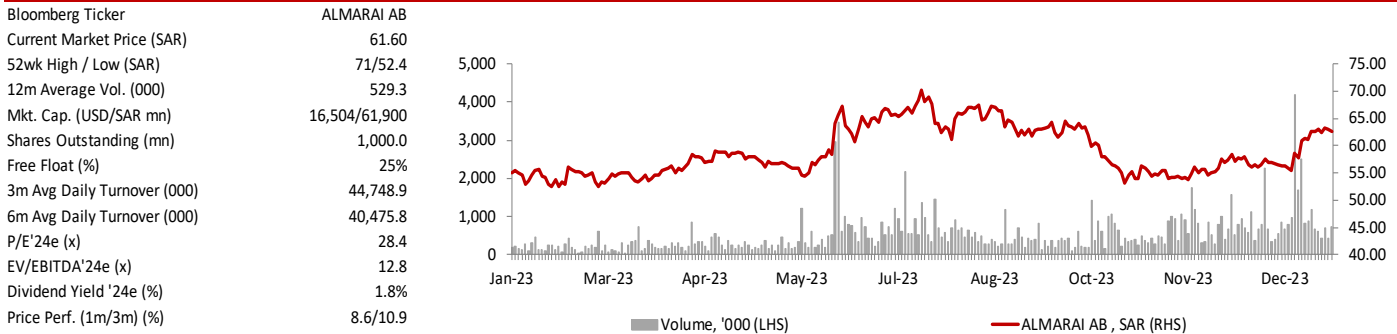
Previous Recommendation: Hold

Target Price (SAR): 61.00

Previous Reco. & Date: TP: SAR 61.00 per share; Hold on 08-Oct-2023

Upside / (Downside): -1%

Date: 21-Jan-2024



Revenue growth in 4Q 2023 comes largely in line with consensus and U Capital estimates

Almarai's revenue in 4Q 2023 edged higher by 1.7% YoY, matching our estimate (-0.8% variation) and coming largely in line with consensus estimates (-4.7% variation). Led by Saudi Arabia, the company registered an overall 5% YoY revenue growth in the core GCC markets, supported by the dairy and poultry segments. However, reduced sales in North America, and Egypt owing to a devaluation of the Egyptian pound, reduced the revenue growth at the group level to around 2% YoY. In FY 2023, Almarai's top line grew 4.6% YoY to SAR 19.6bn.

Operating and net profit outpace revenue growth, but miss consensus and U- Capital expectations

The company benefitted from stable commodity costs, strict cost controls, and better synergies resulting from the 100% acquisition by Almarai of its businesses in Jordan and Egypt earlier in 2023. As a result, operating profit grew at a higher rate (+5% YoY) than revenue. This helped the company offset an increase in finance expenses and clock 4.2% YoY growth in net profit. However, the increase in the operating and net profit in 4Q 2023 fell short of consensus (-17.6% and -21.2% variance, respectively) and U-Capital (-14.4% and -16.9% variance, respectively) estimates. During FY 2023, the company's net profit climbed 16.4% YoY to c. SAR 2.0bn.

Maintain rating

While the company's operating and net profit growth came somewhat below our expectations, its latest results indicate an improvement in the operating environment backed by continued softening in commodity prices. In 2024, we expect Almarai to witness further earnings expansion going forward, given its aim to enhance its market share in some of its product segments and geographies while also exploring inorganic growth opportunities. Accordingly, we prefer to maintain our Hold rating on the stock as of now.

Valuation

At the current market price, the stock is trading at 28.4x P/E and 12.8x EV/EBITDA, based on our FY'24 estimates, above its 3-year daily average forward P/E of 26.6x, but below its 3-year daily average forward EV/EBITDA of 14.5x.

| Income Statement | | | | | | | | | | | | |
|---------------------------------------|----------|----------|----------|----------|----------|----------|---------|---------|---------|----------|----------|---------|
| (SAR mn) | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 4Q23e | YoY (%) | QoQ (%) | Var (%) | FY22 | FY23 | YoY (%) |
| Sales/Revenue | 4,839.2 | 5,066.6 | 4,792.3 | 4,796.9 | 4,919.7 | 4,959.9 | 1.7% | 2.6% | -0.8% | 18,722.3 | 19,575.6 | 4.6% |
| Gross Profit (Loss) | 1,334.0 | 1,617.9 | 1,567.1 | 1,469.5 | 1,396.9 | 1,501.3 | 4.7% | -4.9% | -7.0% | 5,624.2 | 6,051.3 | 7.6% |
| Operating Profit (Loss) | 504.0 | 802.5 | 718.5 | 643.9 | 528.9 | 618.2 | 4.9% | -17.9% | -14.4% | 2,276.3 | 2,693.9 | 18.3% |
| Net Profit (Loss) after Zakat and tax | 355.8 | 635.1 | 557.1 | 486.3 | 370.7 | 446.0 | 4.2% | -23.8% | -16.9% | 1,759.8 | 2,049.1 | 16.4% |
| Balance Sheet | | | | | | | | | | | | |
| (SAR mn) | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 4Q23e | YoY (%) | QoQ (%) | Var (%) | | | |
| Shareholders' Equity | 16,671.4 | 17,237.2 | 16,817.3 | 17,492.2 | 17,797.7 | 17,920.5 | 6.8% | 1.7% | -0.7% | | | |
| Key Ratios | | | | | | | | | | | | |
| | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 4Q23e | | | | | | |
| Gross Profit Margin | 27.6% | 31.9% | 32.7% | 30.6% | 28.4% | 30.3% | | | | | | |
| Operating Profit Margin | 10.4% | 15.8% | 15.0% | 13.4% | 10.8% | 12.5% | | | | | | |
| Net Profit Margin | 7.4% | 12.5% | 11.6% | 10.1% | 7.5% | 9.0% | | | | | | |
| Return on Equity (RoE) | 8.5% | 14.7% | 13.3% | 11.1% | 8.3% | 10.0% | | | | | | |
| Annualized EPS (SAR) | 1.42 | 2.54 | 2.23 | 1.95 | 1.48 | 1.78 | | | | | | |
| BVPS (SAR) | | | | | 17.80 | 17.92 | | | | | | |
| TTM P/E (x) | | | | | 30.1 | | | | | | | |
| Current P/BV (x) | | | | | 3.5 | | | | | | | |

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


For our earlier report, please [click here](#).


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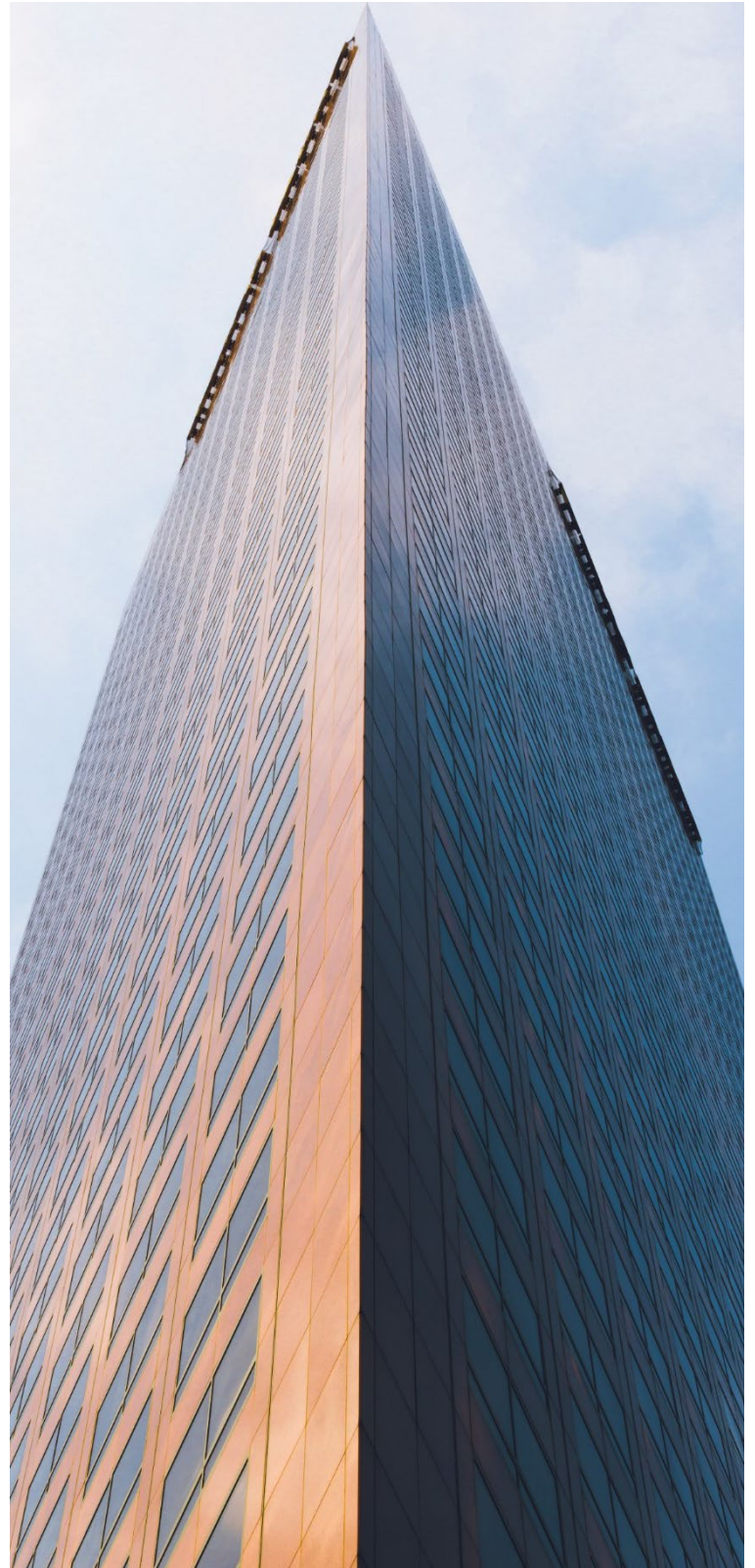
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Recommendation

| | |
|------------|-----------------------|
| BUY | Greater than 20% |
| ACCUMULATE | Between +10% and +20% |
| HOLD | Between +10% and -10% |
| REDUCE | Between -10% and -20% |
| SELL | Lower than -20% |

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