# Almarai Company

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---|---|---|---|
| SAR 42.70 | SAR 60.00 | 40.5% | BUY |

## 1Q26 Net Profit slightly higher than our estimate

- Almarai's revenue grew 6.8% YOY to SAR 6,160 Mn in 1Q26, supported improved performance during the holy month of Ramadan and broad-based volume growth across markets, product segments, and channels, led by dairy and poultry.
- The revenue growth was further supported by strong growth in KSA, UAE and Egypt and an inorganic contribution from the water segment.
- Cost of sales increased 7.4% YOY to SAR 4,294 Mn in 1Q26.
- Gross profit increased 5.5% YOY to SAR 1,866 Mn in 1Q26. However, gross profit margin contracted 38 bps YOY to 30.3% in 1Q26.
- Almarai's calculated EBITDA increased marginally 2.3% YOY to SAR 1,494 Mn in 1Q26. While EBITDA margin declined 108 bps YOY to 24.3% in 1Q26.
- The Company's operating profit rose marginally 0.1% YOY to SAR 875 Mn in 1Q26, while operating profit margin declined 95 bps YOY to 14.2% in 1Q26, due to higher transportation costs and ramp-up costs of new facilities.
- Total debt rose from SAR 12.5 Bn in 4Q25 to SAR 13.6 Bn in 1Q26. While net debt remained flat at SAR 12.0 Bn in 1Q26, compared to 4Q25, with a flat net debt to EBITDA ratio of 2.48x in 1Q26
- Almarai generated positive free cash flow of SAR 173 Mn in 1Q26, compared to negative SAR 165 Mn in 1Q25, supported by better operating cash flows and lower capex.
- Net profit attributable to shareholders remained flat at SAR 732 Mn in 1Q26 compared to 1Q25, due to a revenue growth, along with lower zakat and income tax expenses, partially offset by a rise in cost of sales, operating expenses, and net finance costs.

## Earnings Call Summary

- Almarai delivered strong growth in 1Q26 primarily driven by robust Ramadan-related demand, while product innovation remained limited to incremental extensions with no major new launches during the quarter.
- Almarai indicated no material impact from the Iran crisis in 1Q26, with risks primarily linked to higher freight costs, alongside potential increases in energy and broader supply chain expenses.
- The company highlighted strong preparedness through a one-year safety stock of alfalfa, adequate availability of corn and soy, and robust liquidity supported by committed credit facilities.
- The Company highlighted that the overall impact remains uncertain and is highly dependent on the duration of the conflict, with financial effects not yet reflected but potentially becoming material if elevated freight costs persist over a prolonged period.
- Almarai is actively implementing cost optimization measures and reviewing pricing strategies, promotions, capex, and opex to mitigate potential pressures.
- Almarai reported poultry production of c.81 Mn birds in 1Q26, compared to c.304 Mn birds in 2025, with guidance of c.330 Mn birds going forward and a long-term capacity expansion target of c.450 Mn birds.
- The Company stated that the shift toward modern trade in 1Q26 was Ramadan-driven and temporary rather than structural, while e-commerce within this segment continues to exhibit strong growth.
- Poultry pricing dynamics showed slight improvement, with prior pricing pressures stabilizing and early signs of recovery emerging alongside strong volume demand. While the Iran conflict has not

negatively impacted demand, it may indirectly benefit domestic producers due to higher import and freight costs.

- Poultry remained unaffected by Saudi GAP developments, with ramp-up costs expected to ease as scale increases, supporting improved cost efficiency and profitability.
- The Company's operations remained unaffected with no disruptions or injuries, while logistics challenges are being actively managed with support from government authorities, ensuring supply chain continuity.
- Margins may face pressure if freight and energy costs remain elevated, with increases likely to be passed on to customers as efficiency measures alone cannot fully offset sustained inflation.
- Pricing remained stable in 1Q26 with no major rollback of promotions, while negative pricing was driven by poultry, and dairy saw minor increases with adjustments expected from 2Q26.
- Non-poultry protein currently contributes c.1–2% of segment revenue, primarily driven by seafood, with beef and other categories under development.
- Furthermore, the company targets a double-digit contribution within the protein segment over the next 2–3 years, supported by new product launches planned in the 2H26 and ongoing investments in distribution, marketing, and product development.
- The strong growth in long-life dairy was primarily driven by Egypt, with moderate growth in KSA and UAE. Furthermore, UAE performance was partly supported by temporary panic buying, while underlying GCC growth remained low single-digit and volume-led.
- Poultry margin improvement was driven by cost stabilization through improved production efficiency and lower ramp-up inefficiencies, alongside a better pricing environment with stabilized discounting and gradual improvement during Ramadan.
- Customers shifted from HoReCa to retail and online channels in 1Q26, but overall sales remained stable as lower restaurant demand was offset by higher store and e-commerce purchases.
- Long-life dairy discounting remained stable in 1Q26 with no increase in promotional intensity, while discounts reduced toward the end of Ramadan, resulting in products being sold at higher normalized price levels.
- Furthermore, Poultry pricing is gradually normalizing, driven by market stabilization and structural demand growth, with improvement not linked to the Iran conflict but potentially supported by higher import costs, and viewed by management as the beginning of the end of heavy discounting.
- Fresh dairy grew c.5% in 1Q26, outperforming market trends (c.1.6%) with no structural slowdown observed, although demand may face temporary pressure from reduced tourism amid geopolitical tensions.
- The company is focusing on brand building and distribution expansion in the ice cream segment.
- Furthermore, the company's strategy focuses on brand building and distribution expansion, with long-term plans including a potential local production facility in KSA and possible joint venture opportunities.

**Almarai – P&L**

| AED Mn | 1Q25 | 4Q25 | 1Q26 | 1Q26F | Var | YOY Ch | QOQ Ch |
|---|---|---|---|---|---|---|---|
| Sales | 5,767 | 5,457 | 6,160 | 6,094 | 1.1% | 6.8% | 12.9% |
| Cost of Sales | -3,998 | -3,798 | -4,294 | -4,174 | 2.9% | 7.4% | 13.1% |
| **Gross profit** | **1,769** | **1,659** | **1,866** | **1,920** | **-2.8%** | **5.5%** | **12.5%** |
| S&D Expenses | -754 | -875 | -818 | -804 | 1.7% | 8.5% | -6.5% |
| G&A expenses | -129 | -180 | -138 | -134 | 2.9% | 6.7% | -23.5% |
| Other expense/income, net | -11 | 15 | -26 | -46 | -42.7% | NM | NM |
| Impairment | 0 | -3 | -8 | 0 | NA | NM | NM |
| **EBITDA - calculated** | **1,461** | **524** | **1,494** | **1,340** | **11.6%** | **2.3%** | **NM** |
| **Operating profit** | **874** | **616** | **875** | **935** | **-6.4%** | **0.1%** | **42.2%** |
| Investment & other income | -1 | 0 | 0 | -1 | NM | NM | NM |
| Financial costs (net) | -100 | -120 | -106 | -196 | -46.1% | 5.9% | -12.1% |
| **Profit before zakat** | **774** | **496** | **770** | **738** | 4.2% | **-0.5%** | **55.3%** |
| Zakat | -27 | -11 | -27 | -27 | 0.0% | -3.2% | NM |
| Income Tax | -15 | -20 | -11 | -7 | 43.2% | -27.3% | -47.4% |
| **Profit before NCI** | **732** | **465** | **732** | **705** | 4.0% | 0.1% | 57.7% |
| Non-controlling interests | 0 | 0 | 0 | 0 | NA | -35.1% | NM |
| **Profit attributable** | **731** | **465** | **732** | **705** | **3.9%** | **0.1%** | **57.5%** |

*FABS estimate & Co Data*

## 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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