

Almarai Company

Broad-based volume growth across markets offset by increased costs impacted profitability

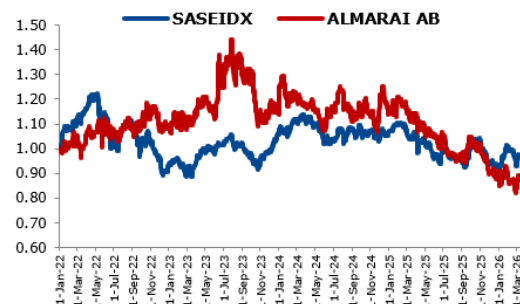
Current Price
SAR 42.80

Target Price
SAR 60.00

Upside/Downside (%)
+40.2%

Rating
BUY

- Almarai reported poultry production of c. 81 Mn birds in 1Q26, with guidance of c. 330 Mn birds going forward and a long-term target of c. 450 Mn birds, indicating significant scale-up potential.
- Ongoing investments in new product launches, distribution, and marketing are expected to drive the protein segment towards a double-digit contribution over the medium term.
- The Company indicated no material impact from the ongoing Iran crisis thus far, supported by adequate inventory and strong liquidity.
- Almarai proposed 15% increase in dividend subject to shareholder approval, along with a targeted payout ratio of 40%–60%.



Stock Information

Market Cap (SAR, Mn)	42,800.00
Paid Up Capital (Mn)	10,000.00
52 Week High	55.20
52 Week Low	38.18
3M Avg. daily value(SAR)	32,292,630

1Q26 Net Profit slightly higher our estimate

Almarai Company ("Almarai, "the Company") net profit remained flat at SAR 732 Mn in 1Q26 compared to 1Q25, and slightly greater than our estimate of SAR 705 Mn. The stable performance in net profit was supported by rise in revenue, due to strong Ramadan performance, and broad-based sales volume growth, along with lower zakat and income tax expenses, partially offset by rise in cost of sales, operating expenses, and net finance costs.

P&L Highlights

Almarai's revenue grew 6.8% YOY to SAR 6,160 Mn in 1Q26, supported by 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. Dairy and Juice segment revenue increased 4.0% YOY to SAR 4,179 Mn in 1Q26, driven by Ramadan demand and Egypt performance. Bakery segment revenue rose 4.6% YOY to SAR 662 Mn in 1Q26. Poultry segment revenue expanded 8.3% YOY to SAR 1,101 Mn in 1Q26, driven by volume growth. Other activity segment revenue increased substantially from SAR 100 Mn in 1Q25 to SAR 219 Mn in 1Q26, due to water segment introduced in 2025. On the other hand, cost of sales increased 7.4% YOY to SAR 4,294 Mn in 1Q26. Thus, 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. S&D expenses increased 8.5% YOY to SAR 818 Mn in 1Q26. G&A expenses rose 6.7% YOY to SAR 138 Mn in 1Q26. Other expenses increased from SAR 11 Mn in 1Q25 to SAR 26 Mn in 1Q26. Almarai's EBITDA increased 2.3% YOY to SAR 1,494 Mn in 1Q26. While EBITDA margin declined 108 bps

1Q26 Result Review (SAR, Mn)

Total Assets	42,538
Total Liabilities	21,420
Total Equity	21,118
EBITDA	1,494
Net Profit	732

Financial Ratios

Dividend Yield (12m)	2.34
Dividend Pay-out (%)	46.82
Price-Earnings Ratio(x)	18.08
Price-to-Book Ratio (x)	2.03
Book Value (SAR)	21.12
Return-on Equity (%)	11.48

Stock Performance

5 Days	-2.59%
1 Months	-1.20%
3 Months	3.13%
6 Months	-13.95%
1 Year	-20.74%
Month to Date (MTD%)	-2.51%
Quarter to Date (QTD%)	-2.51%
Year to Date (YTD%)	-1.06%

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. The Company's net finance cost increased 5.9% YOY to SAR 106 Mn in 1Q26. Zakat expenses declined 3.2% YOY to SAR 27 Mn in 1Q26. The Company's income tax expenses fell 27.3% YOY to SAR 11 Mn in 1Q26.

Balance Sheet Highlights

Almarai's net cash flow from operations increased 16.8% YOY to SAR 1,277 Mn in 1Q26. Free cash flow improved to SAR 173 Mn in 1Q26, compared to negative SAR 165 Mn in 1Q25, supported by better operating cash flows and lower capex supporting stronger balance sheet and dividend sustainability. 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 reducing refinancing risk and supporting growth investments.

Target Price and Rating

We maintain our BUY rating on Almarai with a revised target price of SAR 60.00 underpinned by resilient operating performance and strong volume-led growth momentum. The Company reported stable net profit in 1Q26, supported by healthy revenue growth driven by robust Ramadan demand and broad-based volume expansion across geographies, product segments, and channels, particularly in dairy and poultry, alongside an improving product mix. Geographically, performance remained strong across key markets, with Egypt delivering robust double-digit growth of 26% YOY and Qatar recording exceptional growth of 62% YOY, while Oman declined 9% YOY due to deliberate portfolio and contract recalibration aimed at enhancing profitability, with recovery expected from 2Q26 onwards. The protein segment remains a key growth driver, supported by strong volume momentum and gradual improvement in pricing dynamics. Poultry production stood at c. 81 Mn birds in 1Q26, with guidance of c. 330 Mn birds going forward and a long-term target of c. 450 Mn birds, indicating significant scale-up potential. Pricing pressures have begun to stabilize, with early signs of recovery emerging, while ramp-up costs are expected to moderate with scale, supporting margin improvement over time. Non-poultry protein currently contributes c. 1–2% of segment revenue, with seafood being the primary component, while beef and other categories remain in early ramp-up stages. The Company targets a double-digit contribution over the next 2–3 years, supported by new product launches and ongoing investments, positioning it as a key medium-term growth driver despite near-term ramp-up costs. Channel performance also remained robust, with modern and traditional trade contributing 26% and 55% of revenue, respectively, with modern trade witnessing strong double-digit growth of 14% YOY, reflecting continued strength in execution and channel strategy. From a risk perspective, the Company indicated no material impact from the ongoing Iran crisis thus far, supported by adequate inventory and strong liquidity. However, risks remain skewed towards elevated freight, energy, and supply chain costs, which could pressure margins if sustained. While the Company is undertaking cost optimization initiatives, prolonged inflationary pressures may necessitate selective price pass-throughs, alongside ongoing reviews of pricing, promotions, capex, and opex to mitigate potential impacts. Furthermore, the Company proposed 15% increase in dividend for 2025 subject to shareholder approval, along with a targeted payout ratio of 40%–60%, enhancing visibility on shareholder returns. Thus, we maintain our BUY rating on the stock.

Almarai - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	27.50	24.43	20.98	18.59	17.51	18.35
PB	2.67	2.58	2.42	2.29	2.09	1.98
EV/EBITDA	14.26	13.27	12.23	11.55	11.61	11.25
BVPS	16.119	16.671	17.798	18.791	20.527	21.721
EPS	1.564	1.760	2.049	2.313	2.456	2.344
DPS	1.000	1.000	1.000	1.000	1.150	1.200
Dividend yield	2.3%	2.3%	2.3%	2.3%	2.7%	2.8%

FABS Estimates & Co Data

Almarai – P&L

SAR Mn	1Q25	4Q25	1Q26	1Q26F	Var.	YOY Ch	QOQ Ch	2025	2026F	Change
Sales	5,767	5,457	6,160	6,094	1.1%	6.8%	12.9%	22,065	23,565	6.8%
Cost of Sales	-3,998	-3,798	-4,294	-4,174	2.9%	7.4%	13.1%	-15,177	-16,378	7.9%
Gross profit	1,769	1,659	1,866	1,920	-2.8%	5.5%	12.5%	6,888	7,187	4.3%
S&D Expenses	-754	-875	-818	-804	1.7%	8.5%	-6.5%	-3,231	-3,417	5.8%
G&A expenses	-129	-180	-138	-134	2.9%	6.7%	-23.5%	-561	-600	6.8%
Other expense/income	-11	15	-26	-46	-42.7%	NM	NM	-15	-47	NM
Impairment	0	-3	-8	0	NA	NM	NM	-20	-47	NM
Operating profit	874	616	875	935	-6.4%	0.1%	42.2%	3,060	3,077	0.5%
EBITDA	1,461	524	1,494	1,340	11.6%	2.3%	NM	4,735	4,888	3.2%
Investment & other income	-1	0	0	-1	NM	NM	NM	-1	0	NM
Financial costs (net)	-100	-120	-106	-196	-46.1%	5.9%	-12.1%	-463	-580	25.1%
Profit before zakat	774	496	770	738	4.2%	-0.5%	55.3%	2,596	2,497	-3.8%
Zakat	-27	-11	-27	-27	0.0%	-3.2%	NM	-87	-107	23.6%
Income Tax	-15	-20	-11	-7	43.2%	-27.3%	-47.4%	-52	-45	-13.9%
Profit before NCI	732	465	732	705	4.0%	0.1%	57.7%	2,457	2,344	-4.6%
Non-controlling interests	0	0	0	0	NA	-35.1%	NM	1	1	-4.6%
Profit attributable	731	465	732	705	3.9%	0.1%	57.5%	2,456	2,344	-4.6%

FABS estimate & Co Data

Almarai - Margins

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	30.7%	30.4%	30.3%	-38	-11	31.2%	30.5%	-72
Operating Profit	15.2%	11.3%	14.2%	-95	292	13.9%	13.1%	-81
EBITDA	25.3%	9.6%	24.3%	-108	1,466	21.5%	20.7%	-72
Net Profit	12.7%	8.5%	11.9%	-79	337	11.1%	9.9%	-118

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	66.16	70.0%	46.31
Relative Valuation (RV)	45.65	30.0%	13.70
Weighted Average Valuation (SAR)			60.00
Current market price (SAR)			42.80
Upside/Downside (%)			+40%

1) DCF Method:

Almarai is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.0%. It arrived after using a cost of equity of 8.6%, and after-tax cost of debt of 6.0% with a debt-to-equity ratio of 23.8%. Cost of equity is calculated by using the 10-year government bond yield of 4.3%, beta of 0.80 and equity risk premium of 4.3%. Government bond yield is calculated after adding the KSA 10-year CDS spread over the 10-year US risk-free rate. The cost of debt of 6.0% is calculated after adjusting for a tax rate of 4.3%. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (SAR, Mn)	13,374
Terminal value (SAR, Mn)	65,299
FV to Common shareholders (SAR, Mn)	66,155
No. of share (Mn)	1,000
Current Market Price (SAR)	42.80
Fair Value per share (SAR)	66.16

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Cash Flow from Operations	5,638	5,835	6,166	7,192	7,540
CAPEX	-3,700	-3,338	-3,101	-2,698	-2,500
Free Cash Flow to Firm (FCFF)	1,938	2,497	3,065	4,494	5,039
Discounting Factor	0.95	0.88	0.81	0.75	0.69
Discounted FCFF	1,832	2,185	2,484	3,372	3,501

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 2026 EV/EBITDA multiple of 11.9x 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)	
		2026F	2027F	2026F	2027F
Savola	1,773	6.1	5.6	12.1	12.9
SADAFCO	1,992	12.2	10.3	18.7	15.4
Agthia	839	6.9	6.1	11.9	9.5
Mezzan Holdings	1,258	11.1	10.1	19.4	16.8
Halwani Brothers	326	9.0	8.5	20.3	17.0
National Agricultural Dev Co.	1,538	4.8	4.6	12.5	11.9
Average		8.4x	7.5x	15.8x	13.9x
Median		7.9x	7.3x	15.6x	14.2x
Max		10.6x	9.7x	19.2x	16.5x
Min		6.3x	5.7x	12.2x	12.2x

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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