

Almarai Company

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 45.28	SAR 60.00	+32.5%	BUY

3Q26 Net Profit in line with our estimate

- Almarai's revenue increased 11.4% YOY to SAR 6,187 Mn in 3Q26, driven by strong performance in KSA, Egypt and Kuwait, supported by volume growth in Fresh Dairy and Protein.
- Cost of sales increased 14.3% YOY to SAR 4,350 Mn in 3Q26, reflecting volume growth and higher feed & shipping costs.
- Gross profit increased 5.1% YOY to SAR 1,837 Mn in 3Q26. However, gross profit margin contracted 178 bps YOY to 29.7% in 3Q26.
- The Company's operating profit increased 2.8% YOY to SAR 779 Mn in 3Q26, while operating profit margin declined 105 bps YOY to 12.6% in 3Q26, amid elevated energy, logistics and Protein ramp-up costs, partially offset by disciplined cost management.
- Net finance costs increased 15.3% YOY to SAR 137 Mn in 3Q26, reflecting higher debt levels, partially offset by favourable funding rates.
- Net profit attributable to shareholders increased marginally 0.7% YOY to SAR 618 Mn in 3Q26, supported by higher revenue and lower impairment losses and zakat expenses, partially offset by higher cost of sales, S&D expenses, G&A expenses, other expenses, net finance costs and income tax expenses.
- Net debt increased to SAR 13.5 Bn in 3Q26, compared to SAR 13.3 Bn in 2Q26, while the net debt-to-EBITDA ratio decreased marginally to 2.72x on a TTM 3Q26 basis from 2.73x on a TTM 2Q26 basis.
- Total capex declined from SAR 1,002 Mn in 3Q25 to SAR 859 Mn in 3Q26.
- Almarai generated free cash flow of SAR 89 Mn in 3Q26, compared to negative SAR 967 Mn in 3Q25.
- The BOD has approved the 5-year dividend policy for (2026-2030) with targeting a cash dividend payout of 40% to 60% of annual net profit. The policy is intended to provide shareholders with greater visibility of the Company's approach to dividends and capital allocation priorities.

Earnings Call Summary

- Almarai remained the market leader across Dairy, Juice, Food, Bakery and Fresh Poultry, with value market shares of 49%, 50%, 33%, 56% and 32%, respectively, as of August 2026 in KSA.
- Almarai launched new products during 3Q26, with the Company indicating that the new products are positive for margins and pricing as the portfolio shifts towards higher-margin products.
- Fresh Dairy performance remained positive following the May price adjustment, with the Company indicating that trading conditions normalized during 3Q26.
- Protein delivered another strong quarter, with Almarai producing 87 Mn birds in 3Q26, unchanged from 2Q26, while the Company indicated that the additional capacity is fully utilized.
- Almarai expects poultry profitability to benefit from higher capacity utilization over time, indicating at least a 2 to 3 percentage point improvement in poultry EBIT margin at full capacity utilization.
- Egypt's growth remained primarily volume-driven, with volume contributing c.20 percentage points of the c. 22-23% growth and the remainder coming from pricing. Yogurt, cheese, long-life dairy and juice performed strongly. However, Egypt remains margin dilutive, with EBIT margins still in the single digits.
- Bakery performance benefited from volume growth and price adjustments implemented during 2Q26 and 3Q26, while Gulf markets grew faster than KSA. Wastage improved to c. 2-3%, below historical annual averages, supporting profitability.

- Working capital increased to SAR 5.1 Bn in 3Q26, primarily due to a deliberate increase in inventory of c. SAR 1 Bn. Average inventory coverage stood at c. 106–108 days, with the Company planning to reduce inventory days as the regional conflict winds down.
- The Company expects 2026 capex to remain below SAR 4 Bn and indicated that Almarai has passed the peak of its investment cycle. TTM capex declined to 17% of revenue in 3Q26 from 19% in 2025, with the Company expecting the ratio to continue declining towards single digits over the next two to three years.
- Free cash flow remained positive on a TTM basis at SAR 0.5 Bn, with the Company expecting it to grow over the next three to four quarters.
- The Company indicated that net debt and leverage have peaked, with net debt-to-EBITDA at 2.72x as of September 2026. The Company expects EBITDA and operating cash flow to increase by c. SAR 300–400 Mn annually while debt remains stable or declines.
- The Company clarified that the expected SAR 300–400 Mn annual EBITDA growth excludes any benefit from normalization of shipping costs, with any such normalization providing additional upside.
- Almarai expects short-term margins to remain affected by the regional conflict, particularly through higher transport and feed costs, but remains confident of returning to its long-term EBIT margin target of 14–15% within one to two years once the conflict unwinds.
- Almarai indicated that the SAR 132 Mn YOY cost-of-goods headwind in 3Q26 reflected only part of the higher Alfalfa cost, with the impact expected to increase in 4Q26. The Company indicated that the quarterly cost headwind could rise to SAR 150–170 Mn.
- The Company expects the regional conflict, even if it ends by the end of 2026, to require two to three quarters for operating conditions to normalize. Internal cost management remains the first response to inflation, although additional pricing remains an option if elevated costs persist for another two to three quarters.
- Long-life milk pricing remained unchanged, with average pricing of c. SAR 6.2–6.4 compared with c. SAR 7.0 for Fresh Dairy. Management indicated that Almarai would follow the market leader regarding retail white-milk pricing.
- Almarai has secured all funding requirements for the next 12 months and aims to have the next 24 months covered by year-end. The Company indicated that there are no liquidity concerns, with average debt maturity of 5.87 years and available facilities of SAR 6.8 Bn in 3Q26.
- The Company indicated that c. SAR 60–70 Mn of interest is currently being capitalized, with assets under construction of c. SAR 5 Bn. Capitalized interest is expected to decline by c. SAR 30–40 Mn annually over the next two to three years.
- Almarai indicated that conflict-related costs are running at more than SAR 500–600 Mn on an annualized basis, with part of the cost impact yet to flow through the P&L.

Almarai – P&L

SAR Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Sales	5,553	5,868	6,187	6,092	1.6%	11.4%	5.4%
Cost of Sales	-3,805	-4,044	-4,350	-4,259	2.2%	14.3%	7.6%
Gross profit	1,747	1,824	1,837	1,834	0.2%	5.1%	0.7%
S&D Expenses	-836	-820	-896	-871	2.8%	7.2%	9.3%
G&A expenses	-122	-141	-131	-146	-10.4%	7.5%	-7.0%
Other expense/income, net	-30	-30	-31	-15	NM	1.9%	NM
Impairment	-2	-19	0	-12	NM	NM	NM
Operating profit	757	814	779	789	-1.3%	2.8%	-4.3%
Investment & other income	0	0	0	0	NM	NM	NM
Financial costs (net)	-119	-137	-137	-140	-2.1%	15.3%	0.0%
Profit before zakat	639	677	642	649	-1.2%	0.5%	-5.2%
Zakat	-20	-25	-17	-27	-37.6%	-15.7%	-33.2%
Income Tax	-5	-15	-7	-13	-46.1%	42.9%	NM
Profit before NCI	614	636	618	609	1.4%	0.7%	-2.9%
Non-controlling interests	0	1	0	0	NM	NM	NM
Profit attributable	613	636	618	609	1.5%	0.7%	-2.8%

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	shahrukh.Nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office	
Trading Desk	+971-2-6161700/1 +971-2-6161777
Institutional Desk	+971-4-4245765

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