

Almarai Company

Strong revenue growth and lower finance cost supported profitability

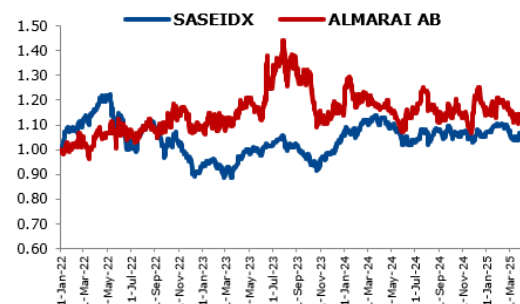
Current Price
SAR 52.80

Target Price
SAR 65.00

Upside/Downside (%)
+23.1%

Rating
BUY

- Revenue grew 5.7% YOY to SAR 5,767 Mn, while gross profit grew 3.5% YOY to SAR 1,769 Mn in 1Q25.
- Almarai introduced more than 30 new products across its Bakery, Dairy, Juice, Food, and Foodservice segments in 2024, reflecting its continued focus on innovation and product expansion.
- Total debt grew from SAR 10.2 Bn in 4Q24 to SAR 10.6 Bn in 1Q25, while Net debt rose from SAR 9.7 Bn in 4Q24 to SAR 10.0 Bn in 1Q25.
- Almarai's free cash flow stood at negative SAR 165 Mn in 1Q25 compared to positive SAR 501 Mn in 1Q24.



1Q25 Net Profit lower than our estimate

Almarai Company ("Almarai, "the Company") recorded a 5.6% YOY increase in net profit to SAR 731 Mn in 1Q25, lower than our estimate of SAR 781 Mn. The increase in net profit is mainly due to higher revenue driven by strong volume growth, coupled with impairments reversals and lower net finance cost, partially offset by higher direct costs and a rise in operating expenses.

P&L Highlights

Almarai's revenue grew 5.7% YOY to SAR 5,767 Mn in 1Q25, supported by strong volume growth and robust Ramadan-driven performance, particularly across the Dairy & Juice, Bakery, and Poultry segments. Revenue from the Poultry business grew 6.4% YOY to SAR 980 Mn in 1Q25. Revenue from the Bakery business rose 1.3% YOY to SAR 633 Mn in 1Q25. Moreover, revenue from the Dairy and Juice segment increased 6.0% YOY to SAR 4,018 Mn in 1Q25. Revenue from other activities grew 12.7% YOY to SAR 136 Mn in 1Q25. Cost of sales rose 6.6% YOY to SAR 3,998 Mn in 1Q25. Thus, gross profit rose 3.5% YOY to SAR 1,769 Mn in 1Q25. However, gross margins declined 63 bps YOY to 30.7% in 1Q25. Selling and distribution expenses rose 8.4% YOY to SAR 754 Mn in 1Q25. G&A expenses increased 6.3% YOY to SAR 129 Mn in 1Q25. In addition, the Company recorded an impairment reversal of SAR 0.2 Mn in 1Q25, compared to an impairment of SAR 22 Mn in 1Q24. Other expense grew significantly from SAR 1 Mn in 1Q24 to SAR 11 Mn in 1Q25. As a result, operating profit grew marginally 0.6% YOY to SAR 874 Mn during 1Q25. Operating profit margin contracted 76 bps YOY to 15.2% in 1Q25. Furthermore, finance cost fell by 29.6% YOY to SAR 100 Mn in 1Q25. Zakat charges increased significantly from SAR 25 Mn in 1Q24 to SAR 27 Mn in 1Q25, owing to higher profitability. The Company incurred an Income tax charge of SAR 15 Mn in 1Q25,

Stock Information

Market Cap (SAR, Mn)	52,800.00
Paid Up Capital (Mn)	10,000.00
52 Week High	61.50
52 Week Low	50.60
3M Avg. daily value(SAR)	58,666,330

1Q25 Result Review (SAR, Mn)

Total Assets	37,077
Total Liabilities	17,373
Total Equity	19,704
EBITDA	1,450
Net Profit	731

Financial Ratios

Dividend Yield (12m)	1.89
Dividend Pay-out (%)	43.23
Price-Earnings Ratio(x)	22.18
Price-to-Book Ratio (x)	2.68
Book Value (SAR)	19.70
Return-on Equity (%)	12.37

Stock Performance

5 Days	-1.31%
1 Months	-4.00%
3 Months	-5.21%
6 Months	-6.71%
1 Year	-9.74%
Month to Date (MTD%)	-5.04%
Quarter to Date (QTD%)	-5.04%
Year to Date (YTD%)	-7.69%

compared to a tax charge of SAR 8 Mn in 1Q24. The share of non-controlling interest declined from SAR 1 Mn in 1Q24 to SAR 0.3 Mn in 1Q25.

Balance Sheet Highlights

Almarai's net cash flow from operations fell 23.8% YOY to SAR 1,093 Mn in 1Q25, mainly due to higher investment in working capital activities, partially offset by rise in net profit. Total debt grew from SAR 10.2 Bn in 4Q24 to SAR 10.6 Bn in 1Q25. Net debt rose from SAR 9.7 Bn in 4Q24 to SAR 10.0 Bn in 1Q25. Almarai's free cash flow stood at negative SAR 165 Mn in 1Q25 compared to positive SAR 501 Mn in 1Q24.

Target Price and Rating

We revised our rating from ACCUMULATE to BUY on Almarai with an unchanged target price of SAR 65.00. Almarai recorded increased profitability during 1Q25, driven by higher revenue owing to stronger volume, impairment reversals, and lower finance costs. Almarai introduced more than 30 new products across its Bakery, Dairy, Juice, Food, and Foodservice segments in 2024, reflecting its continued focus on innovation and product expansion. The Company is the market leader in KSA, and further plans to expand its market share in the GCC region. Almarai has outlined a SAR 18 Bn capital expenditure plan for 2024–2028. As part of this, the Company intends to invest SAR 7 Bn to expand its poultry segment, driven by growing demand and strong growth potential. Around SAR 5 Bn is projected to be allocated to strengthen core categories such as Dairy, Juice, and Bakery, while SAR 1 Bn is expected for entry into new food segments to further diversify the product portfolio. Almarai is also set to benefit from the acquisition of Etmam Logistics, which is expected to strengthen its ability to serve customers across the KSA with an expanded frozen product range. Additionally, the acquisition is also expected to support growth across various segments, including poultry, ice cream, and baked goods, while enabling future expansion into additional categories. Almarai also remains focused on innovation through continuous product development and process improvement. The Company also seeks to enter new growth areas organically and via acquisitions, which is expected to boost its product portfolio and operational footprint. In addition, the Company is actively pursuing digitalization and automation of its production and business processes, which is likely to enhance operational efficiency and support margin improvement going forward. Moreover, the Company also announced a dividend payment of SAR 1.0 per share, resulting in a dividend yield of 1.9% in 2024. Thus, based on our analysis, we revised our rating to BUY on the stock.

Almarai - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	27.0	34.2	30.4	26.1	23.1	21.0
PB	3.4	3.3	3.2	3.0	2.8	2.6
EV/EBITDA	15.5	17.1	15.9	14.6	13.8	12.3
Dividend yield	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%

FABS Estimates & Co Data

Almarai – P&L

SAR Mn	1Q24	4Q24	1Q25	1Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Sales	5,459	5,157	5,767	5,812	-0.8%	5.7%	11.8%	20,980	22,443	7.0%
Cost of Sales	-3,750	-3,574	-3,998	-3,976	0.6%	6.6%	11.9%	-14,315	-15,258	6.6%
Gross profit	1,708	1,583	1,769	1,836	-3.7%	3.5%	11.7%	6,664	7,185	7.8%
S&D Expenses	-696	-793	-754	-713	5.7%	8.4%	-4.9%	-2,994	-3,180	6.2%
G&A expenses	-122	-159	-129	-129	0.5%	6.3%	-18.8%	-508	-521	2.6%
Other expense/income	-1	7	-11	0	NM	NM	NM	-63	-90	42.1%
Impairment	-22	-47	0.2	-18	NM	NM	NM	-103	-49	-52.3%
Operating profit	869	591	874	977	-10.5%	0.6%	47.9%	2,995	3,344	11.7%
Share of result of Associate	-1	0	-1	0	NM	-5.2%	NM	-2	0	NM
Financial costs (net)	-142	-118	-100	-155	-35.7%	-29.6%	-15.3%	-530	-627	18.2%
Profit before zakat	726	473	774	822	-5.9%	6.5%	63.6%	2,463	2,718	10.3%
Zakat	-25	-35	-27	-27	0.2%	10.4%	-20.6%	-105	-117	10.9%
Income Tax	-8	-8	-15	-15	0.0%	79.8%	81.9%	-44	-49	10.3%
Profit before NCI	693	430	732	780	-6.2%	5.5%	70.0%	2,314	2,552	10.3%
Non-controlling interests	1	0	0	-1	NM	NM	NM	1	1	10.3%
Profit attributable	692	431	731	781	-6.4%	5.6%	69.8%	2,313	2,551	10.3%

FABS estimate & Co Data

Almarai - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	31.3%	30.7%	30.7%	-63	-3	31.8%	32.0%	25
Operating Profit	15.9%	11.5%	15.2%	-76	370	14.3%	14.9%	62
Net Profit	12.7%	8.4%	12.7%	0	433	11.0%	11.4%	34

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	69.76	70.0%	48.83
Relative Valuation (RV)	53.88	30.0%	16.16
Weighted Average Valuation (SAR)			65.00
Current market price (SAR)			52.80
Upside/Downside (%)			+23.1%

1) DCF Method:

Almarai is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 7.9%. It is arrived after using cost of equity of 8.2% and after-tax cost of debt of 6.0% with debt-to-equity ratio of 19.8%. Cost of equity is calculated by using 10-year government bond yield of 4.4%, beta of 0.80 and equity risk premium of 3.9%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk free rate. Cost of debt is calculated using the cost of debt of 6.0% after adjusting a tax rate of 4.3%. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (SAR, Mn)	12,211
Terminal value (SAR, Mn)	68,042
FV to Common shareholders (SAR, Mn)	69,763
No. of share (Mn)	1,000
Current Market Price (SAR)	52.80
Fair Value per share (SAR)	69.76

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Cash Flow from Operations	6,257	6,410	6,648	7,274	7,911
CAPEX	-5,100	-5,384	-2,427	-2,667	-2,830
Free Cash Flow to Firm (FCFF)	868	1,026	4,221	4,607	5,080
Discounting Factor	0.95	0.88	0.82	0.76	0.70
Discounted FCFF	824	902	3,442	3,483	3,560

Source: FAB Securities

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 2025 EV/EBITDA multiple of 12.5x and valued in line with SADAFICO. We have applied a premium to the median valuation multiple.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Savola	2,496	6.6	5.8	16.3	13.1
SADAFICO	2,682	12.9	12.6	18.1	17.2
Agthia	953	6.4	5.7	9.9	8.9
Mezzan Holdings	833	9.2	8.5	16.8	14.9
Halwani Brothers	463	12.2	10.1	28.7	21.1
National Agricultural Dev Co.	1,878	8.0	7.3	15.6	15.3
Average		9.2x	8.3x	17.6x	15.1x
Median		8.6x	7.9x	16.6x	15.1x
Max		11.4x	9.7x	17.8x	16.8x
Min		6.9x	6.2x	15.7x	13.6x

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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