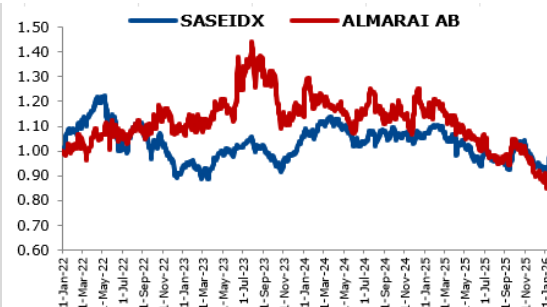


Almarai Company

Strong volume expansion supported revenue growth amid pricing pressure

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 43.00	SAR 65.00	+51%	BUY

- Working capital rose from SAR 3,812 Mn in 4Q24 to SAR 4,122 Mn in 4Q25, due to inventory buildup ahead of Ramadan.
- The Company's CAPEX expanded from SAR 3,634 Mn in 2024 to SAR 4,385 Mn in 2025, driven by capacity expansion and long-term value creation initiatives.
- Almarai reported free cash outflow of SAR 503 Mn in 2025, compared to cash inflow of SAR 1,531 Mn in 2024, attributed to aggressive capital deployment and investment in working capital
- Almarai's proposed a 15.0% YOY increase in the dividend to SAR 1.15 per share for 2025, with the payout ratio at c. 47%, within the Company's targeted 40-60% range.



Stock Information

Market Cap (SAR, Mn)	43,020.00
Paid Up Capital (Mn)	10,000.00
52 Week High	59.30
52 Week Low	41.20
3M Avg. daily value(SAR)	25,722,990

4Q25 Net Profit in line with our estimate

Almarai Company ("Almarai, "the Company") recorded a 7.9% YOY increase in net profit to SAR 465 Mn in 4Q25, in line with our estimate of SAR 476 Mn. The rise in net profit was supported by higher revenues due to increased volumes sales and contribution from water business acquired in 2025, supported by favourable product mix, rise in net other income, along with lower impairments, zakat & income tax expense, partially offset by a rise in cost of sales, higher S&D and G&A expenses.

P&L Highlights

Almarai's revenue grew 5.8% YOY to SAR 5,457 Mn in 4Q25, supported by increased in volumes, and robust growth across food, poultry, dairy, and water segments. Revenue growth was supported by broad-based expansion across the majority of markets except Bahrain, product categories, and sales channels. Revenue from the Dairy and Juice segment grew 4.0% YOY to SAR 3,444 Mn in 4Q25, supported by strong performance in Egypt, which recorded 39% YOY growth across dairy, cheese, and yogurt, along with healthy rise in KSA and GCC food categories, particularly butter and evaporated milk. Revenue from the Bakery business segment witnessed a growth of 4.1% YOY to SAR 759 Mn in 4Q25, driven by volume growth in bread and buns, along with pricing and mix improvements in value-added bakery products. Moreover, revenue from the Poultry segment increased 4.8% YOY to SAR 1,022 Mn in 4Q25, supported by higher volumes, with over 80 Mn birds processed during the quarter. Additionally, revenue from Other Activities rose significantly from SAR 142 Mn in 4Q24 to SAR 232 Mn in 4Q25, with a strong contribution from the water segment. On the other hand, the cost of sales increased 6.3% YOY to SAR 3,798 Mn in 4Q25. Thus, gross profit increased 4.8% YOY to SAR 1,659 Mn in 4Q25.

4Q25 Result Review (SAR, Mn)

Total Assets	39,967
Total Liabilities	19,440
Total Equity	20,527
EBITDA	536
Net Profit	465

Financial Ratios

Dividend Yield (12m)	2.32
Dividend Pay-out (%)	46.82
Price-Earnings Ratio(x)	17.32
Price-to-Book Ratio (x)	2.10
Book Value (SAR)	20.53
Return-on Equity (%)	12.49

Stock Performance

5 Days	-0.42%
1 Months	-1.15%
3 Months	-11.37%
6 Months	-9.43%
1 Year	-22.76%
Month to Date (MTD%)	-0.55%
Quarter to Date (QTD%)	-0.55%
Year to Date (YTD%)	-0.55%

The Company's gross profit margins contracted 31 bps YOY to 30.4% in 4Q25. S&D expenses rose 10.3% YOY to SAR 875 Mn in 4Q25. G&A expenses also increased 13.3% YOY to SAR 180 Mn in 4Q25. In addition, net other income grew from SAR 7 Mn in 4Q24 to SAR 15 Mn in 4Q25. Impairment charges declined substantially from SAR 47 Mn in 4Q24 to SAR 3 Mn in 4Q25. Almarai's EBITDA fell 2.1% YOY to SAR 536 Mn in 4Q25. Similarly, EBITDA margin decreased 80 bps YOY to 9.8% in 4Q25. As a result, Almarai's operating profit rose 4.1% YOY to SAR 616 Mn in 4Q25. Operating profit margin contracted 18 bps YOY to 11.3% in 4Q25. Furthermore, net finance cost rose 2.0% YOY to SAR 120 Mn in 4Q25. The Company's zakat charges declined substantially from SAR 35 Mn in 4Q24 to SAR 11 Mn in 4Q25. In addition, income tax expenses increase significantly from SAR 8 Mn in 4Q24 to SAR 20 Mn in 4Q25. The Company's share of non-controlling interest declined 27.1% YOY to SAR 0.3 Mn in 4Q25.

Balance Sheet Highlights

Almarai's net cash flow from operations declined 9.4% YOY to SAR 5,463 Mn in 2025. Almarai's working capital rose 8.1% YOY to SAR 4,122 Mn in 4Q25, driven by inventory build ahead of Ramadan. Total debt declined 1.2% QOQ, however rose 22.6% YOY to SAR 12.5 Bn in 4Q25. Moreover, Almarai reported free cash outflow of SAR 503 Mn in 2025, compared to cash inflow of SAR 1,531 Mn in 2024, attributed to aggressive capital deployment and investment in working capital. The Company's investment in capex grew from SAR 3,634 Mn in 2024 to SAR 4,385 Mn in 2025, due to capacity expansion and long-term value creation, especially in poultry.

Target Price and Rating

We maintain our BUY rating on Almarai with a target price of SAR 65.00. Almarai reported strong expansion in net profit in 4Q25, supported by higher volumes and favourable product mix, decline in impairments and a broad-base growth across revenue segments and geographies. Additionally, performance also remained strong across all regions, except Bahrain, which recorded a marginal decline due to border-related factors, while Egypt led growth with revenue expanded 39% YOY in 4Q25. Furthermore, on a product-wise basis, the Company reported broad-based growth across its product categories in 4Q25, with dairy and food segments delivered a healthy performance, due to strong commercial execution. Likewise, robust performance was also observed across channels, with Modern and Traditional trade channels accounted for 36% and 33% of revenue, respectively in 4Q25. This, indicates the Company's continued efforts to strengthen its overall business performance and deliver sustainable growth. Almarai's resilient efforts are also evident in its risk management framework, as provisioning declined from c. SAR 103 Mn in 2024 to c. SAR 20 Mn in 2025. Almarai is implementing depot optimization, route planning improvements, and logistics synergies across its network to address elevated SG&A following the water acquisition, with efficiency benefits expected to materialize in 2026. This evidences the Company's proactive efforts to improve operational efficiency and normalizing the cost. Almarai expects around USD 2 Bn of funding needs over the next two years to support growth, and this funding to be met through an equal mix of structural debt refinancing and existing revolving credit facilities, supported by ample liquidity headroom. Additionally, the Company targets 14-16% operating margins in 2026. Almarai remains committed to its premium poultry positioning, supported by superior biosecurity, economies of scale, and a lower cost per bird. To sustain growth and defend market share, the Company deployed SAR 4.4 Bn in capex in 2025, with spending largely directed toward capacity expansion and initiatives aimed at long-term value creation. Capex reached c. 20% of revenue in 2025, driven by a step-up in poultry capacity from c. 225 Mn birds in 2024 to c. 450 Mn birds in 2025. Additionally, the Company indicated that capex is nearing its peak and is expected to moderate gradually, highlighting a transition from heavy investment to consolidation. The board proposed a 15% YOY increase in the dividend to SAR 1.15 per share for the period of 2025, with the payout ratio at c. 47%, within the Company's targeted 40-60% range. Thus, we maintain our BUY rating on the stock.

Almarai - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	27.49	24.42	20.97	18.58	17.50	19.14
PB	2.67	2.58	2.41	2.29	2.09	1.99
EV/EBITDA	14.26	13.27	12.23	11.55	11.61	11.02
BVPS	16.119	16.671	17.798	18.791	20.527	21.623
EPS	1.564	1.760	2.049	2.313	2.456	2.246
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	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Sales	5,157	5,553	5,457	5,663	-3.6%	5.8%	-1.7%	20,980	22,065	5.2%
Cost of Sales	-3,574	-3,805	-3,798	-3,943	-3.7%	6.3%	-0.2%	-14,315	-15,177	6.0%
Gross profit	1,583	1,747	1,659	1,719	-3.5%	4.8%	-5.1%	6,664	6,888	3.4%
S&D Expenses	-793	-836	-875	-851	2.8%	10.3%	4.7%	-2,994	-3,231	7.9%
G&A expenses	-159	-122	-180	-144	25.7%	13.3%	48.2%	-508	-561	10.5%
Other expense/income	7	-30	15	-26	NM	NM	NM	-63	-15	-76.5%
Impairment	-47	-2	-3	-27	NM	NM	30.5%	-103	-20	NM
Operating profit	591	757	616	672	-8.4%	4.1%	-18.7%	2,995	3,060	2.2%
Investment & other income	0	0	0	0	0.0%	NA	NA	-2	-1	-31.1%
Financial costs (net)	-118	-119	-120	-144	-16.5%	2.0%	1.2%	-530	-463	-12.6%
Profit before zakat	473	639	496	528	-6.2%	4.8%	-22.4%	2,463	2,596	5.4%
Zakat	-35	-20	-11	-37	-70.6%	-68.4%	-46.6%	-105	-87	-17.6%
Income Tax	-8	-5	-20	-15	32.0%	NM	NM	-44	-52	17.7%
Profit before NCI	430	614	465	476	-2.4%	7.9%	-24.3%	2,314	2,457	6.2%
Non-controlling interests	0	0	0	0	NM	-27.1%	NM	1	1	2.3%
Profit attributable	431	613	465	476	-2.4%	7.9%	-24.2%	2,313	2,456	6.2%

FABS estimate & Co Data

Almarai - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Gross Profit	30.7%	31.5%	30.4%	-31	-107	31.8%	31.2%	-55
Operating Profit	11.5%	13.6%	11.3%	-18	-236	14.3%	13.9%	-41
Net Profit	8.4%	11.0%	8.5%	17	-253	11.0%	11.1%	11

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	76.26	70.0%	53.38
Relative Valuation (RV)	38.71	30.0%	11.61
Weighted Average Valuation (SAR)			65.00
Current market price (SAR)			43.0
Upside/Downside (%)			+51%

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 7.8%. It arrived after using a cost of equity of 8.3%, and after-tax cost of debt of 6.0% with a debt-to-equity ratio of 22.5%. Cost of equity is calculated by using the 10-year government bond yield of 4.9%, 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 6.2% 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)	14,722
Terminal value (SAR, Mn)	74,054
FV to Common shareholders (SAR, Mn)	76,260
No. of share (Mn)	1,000
Current Market Price (SAR)	43.0
Fair Value per share (SAR)	76.26

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Cash Flow from Operations	5,814	5,970	6,393	7,495	7,984
CAPEX	-3,678	-3,102	-2,880	-2,622	-2,467
Free Cash Flow to Firm (FCFF)	2,136	2,868	3,513	4,873	5,517
Discounting Factor	0.93	0.86	0.80	0.74	0.69
Discounted FCFF	1,990	2,479	2,818	3,626	3,810

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 10.2x 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	4.6	NA	10.3	NA
SADAFCO	1,992	10.2	10.0	14.8	14.4
Agthia	839	6.4	5.6	9.4	7.9
Mezzan Holdings	1,258	10.4	9.5	17.3	14.9
Halwani Brothers	326	9.3	NA	19.4	NA
National Agricultural Dev Co.	1,538	5.7	5.5	12.3	12.2
Average		7.8x	7.6x	13.9x	12.3x
Median		7.8x	7.5x	13.6x	13.3x
Max		10.0x	9.6x	16.7x	14.5x
Min		5.8x	5.5x	10.8x	11.1x

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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