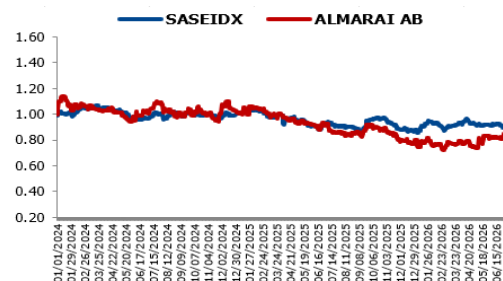


Almarai Company

Revenue growth remains resilient amid elevated cost pressures

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---------------|--------------|---------------------|--------|
| SAR 46.60 | SAR 60.00 | +28.8% | BUY |

- Almarai expanded its product portfolio in 2Q26, through new seafood and ice cream launches, while continuing to focus innovation on high-protein, premium and on-the-go products.
- The ice cream category recorded nearly 60% growth during the quarter, underscoring the success of Almarai's innovation-led strategies.
- Total debt increased from SAR 13.6 Bn in 1Q26 to SAR 13.8 Bn in 2Q26.
- Almarai expects stronger performance in 2H26, supported by the full-quarter benefit of fresh dairy price increases, resilient consumer demand and improving operating trends.



2Q26 Net Profit in line with our estimate

Almarai Company ("Almarai, "the Company") net profit declined 1.7% YOY to SAR 636 Mn in 2Q26, in line with our estimate of SAR 640 Mn. The decline in net profit was primarily driven by higher cost of sales, reflecting increased dairy feed shipping costs, elevated operating expenses due to increased energy, logistics, and protein ramp-up costs, higher net finance costs, increase in S&D and G&A expenses and higher income tax expenses, partially offset by revenue growth driven by strong performance across all segments, and decline in zakat charges.

P&L Highlights

Almarai's revenue increased 11.0% YOY to SAR 5,868 Mn in 2Q26, driven by sales volume growth across all markets, product categories, and sales channels, supported by higher poultry volumes following capacity expansion projects and an improved revenue mix in the Dairy segment. Additionally, the acquisition of the water business contributed SAR 110 Mn to revenue growth during the quarter. Dairy, Food and Juice segment revenue increased 5.7% YOY to SAR 3,717 Mn in 2Q26, driven by healthy consumer demand and sustained market leadership across key product categories. Bakery segment revenue rose 7.5% YOY to SAR 747 Mn in 2Q26, driven by strong sales execution and an optimized product mix. Poultry segment revenue expanded 16.3% YOY to SAR 1,164 Mn in 2Q26, supported by capacity expansion and disciplined execution of its growth strategy. Other activity segment revenue increased substantially from SAR 77 Mn in 2Q25 to SAR 240 Mn in 2Q26, primarily due to the inclusion of the water business. On the other hand, cost of sales increased 13.1% YOY to SAR 4,044 Mn in 2Q26, supported by higher dairy feed shipping costs. Thus, gross profit increased 6.5% YOY to SAR 1,824 Mn in 2Q26. However, gross profit margin contracted 131 bps YOY to

Stock Information

| | |
|--------------------------|-----------|
| Market Cap (SAR, Mn) | 46,600.00 |
| Paid Up Capital (Mn) | 1,000.00 |
| 52 Week High | 54.05 |
| 52 Week Low | 39.86 |
| 3M Avg. daily value(SAR) | 1,065,133 |

2Q26 Result Review (SAR, Mn)

| | |
|-------------------|--------|
| Total Assets | 42,808 |
| Total Liabilities | 22,179 |
| Total Equity | 20,630 |
| EBITDA | 1,451 |
| Net Profit | 636 |

Financial Ratios

| | |
|-------------------------|-------|
| Dividend Yield (12m) | 2.60 |
| Dividend Pay-out (%) | 46.32 |
| Price-Earnings Ratio(x) | 17.43 |
| Price-to-Book Ratio (x) | 2.11 |
| Book Value (SAR) | 20.53 |
| Return-on Equity (%) | 12.49 |

Stock Performance

| | |
|------------------------|--------|
| 5 Days | -1.23% |
| 1 Months | 3.33% |
| 3 Months | 8.88% |
| 6 Months | 12.29% |
| 1 Year | -6.61% |
| Month to Date (MTD%) | 2.46% |
| Quarter to Date (QTD%) | 2.46% |
| Year to Date (YTD%) | 7.72% |

31.1% in 2Q26. S&D expenses increased 7.0% YOY to SAR 820 Mn in 2Q26. G&A expenses rose 8.3% YOY to SAR 141 Mn in 2Q26. The Company recorded other expenses of SAR 30 Mn in 2Q26, compared to other income of SAR 12 Mn in 2Q25. Impairment charges grew 22.1% YOY to SAR 19 Mn in 2Q26. Almarai's EBITDA increased marginally 1.6% YOY to SAR 1,451 Mn in 2Q26. However, EBITDA margin declined 228 bps YOY to 24.7% in 2Q26. Thus, the Company's operating profit remained stable at SAR 814 Mn in 2Q26, compared to SAR 813 Mn in 2Q25. Operating profit margin declined 151 bps YOY to 13.9% in 2Q26. The Company's net finance cost increased 9.6% YOY to SAR 137 Mn in 2Q26, primarily due to higher debt, partially offset by favorable funding rates. Zakat expenses declined 9.0% YOY to SAR 25 Mn in 2Q26. The Company's income tax expenses rose 15.9% YOY to SAR 15 Mn in 2Q26.

Balance Sheet Highlights

Almarai's net cash flow from operations decreased 25.0% YOY to SAR 1,096 Mn in 2Q26, driven by an increase in working capital activities. Total capex declined from SAR 1,001 Mn in 2Q25 to SAR 879 Mn in 2Q26. Thus, free cash flow also declined substantially to SAR 42 Mn in 2Q26, compared to SAR 383 Mn in 2Q25. Total debt increased from SAR 13.6 Bn in 1Q26 to SAR 13.8 Bn in 2Q26. Net debt also increased to SAR 13.3 Bn in 2Q26 compared to SAR 12.0 Bn in 1Q26, while the net debt-to-EBITDA ratio rose to 2.73x on a TTM 2Q26 basis, from 2.48x in 2025.

Target Price and Rating

We maintain our BUY rating on Almarai with a target price of SAR 60.00, underpinned by resilient consumer demand, pricing actions and continued expansion of its high-growth Protein segment. Although Almarai's net profit declined 1.7% YOY to SAR 636 Mn in 2Q26, primarily due to higher feed, logistics and energy costs, increased expenses associated with the Protein business expansion and elevated finance costs, management expects earnings to strengthen in 2H26. This improvement is expected to be driven by the full-quarter impact of fresh dairy price increases, improving poultry pricing, continued poultry capacity expansion and lower capital expenditure. We believe Almarai is well positioned to sustain medium-term earnings growth through continued product innovation and portfolio premiumization. During 2Q26, the Company expanded its product portfolio through new seafood and ice cream launches, while continuing to focus innovation on high-protein, premium and on-the-go products to address evolving consumer preferences. The ice cream category recorded nearly 60% growth during the quarter, underscoring the success of Almarai's innovation-led strategy. Management also continued its strategic SKU and channel rationalization, particularly within the modern trade segment, prioritizing profitability and product mix optimization over volume-driven market share gains. In addition, the Company is strengthening its presence in higher-value categories, including natural cheese and other premium products, which should support a richer sales mix and gradual margin expansion. Almarai has also strengthened its operating resilience through pricing actions, higher inventory coverage to safeguard supply continuity and a well-secured funding profile. The Company indicated that funding requirements for the next 12 months are fully secured, with an average debt maturity exceeding six years. Although higher alfalfa costs are expected to weigh on earnings over the next few quarters due to the longer inventory cycle, the Company expects pricing growth to more than offset commodity cost inflation. The full-quarter benefit of recent fresh dairy price increases, together with improving poultry pricing, should support a gradual recovery in margins during 2H26. The Company's long-term growth profile remains supported by its robust investment pipeline, with c. SAR 5 Bn of projects currently under construction across poultry expansion, red meat, seafood and frozen food businesses. These projects are expected to be commissioned over the coming quarters, supporting revenue growth, margin expansion and improved returns on capital. Almarai also continues to evaluate investments based on IRR and ROIC, while its updated long-term strategy, expected to be finalized over the next one to two quarters, will focus on evolving consumer trends, product innovation, investment priorities and maximizing returns from existing assets. International operations remain an important growth driver, with Egypt continuing to be the strongest overseas market, driven by yogurt, long-life dairy and juice, while poultry remains the key growth engine across Saudi Arabia, Kuwait and Qatar. Furthermore, continued geographic expansion, together with product innovation, disciplined capital allocation and a moderating investment cycle, should strengthen earnings quality, improve free cash flow generation and reinforce Almarai's long-term growth outlook. Thus, based on above mentioned factors we maintain our BUY rating on the stock.

Almarai - Relative valuation

| (at CMP) | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
|----------------|--------|--------|--------|--------|--------|--------|
| PE | 29.50 | 26.21 | 22.51 | 19.94 | 18.78 | 17.44 |
| PB | 2.86 | 2.77 | 2.59 | 2.45 | 2.25 | 2.09 |
| EV/EBITDA | 15.11 | 14.06 | 12.93 | 12.24 | 12.27 | 11.57 |
| BVPS | 16.119 | 16.671 | 17.798 | 18.791 | 20.527 | 22.022 |
| EPS | 1.564 | 1.760 | 2.049 | 2.313 | 2.456 | 2.644 |
| DPS | 1.000 | 1.000 | 1.000 | 1.000 | 1.150 | 1.200 |
| Dividend yield | 2.1% | 2.1% | 2.1% | 2.1% | 2.5% | 2.6% |

FABS Estimates & Co Data

Almarai - P&L

| SAR Mn | 2Q25 | 1Q26 | 2Q26 | 2Q26F | Var | YOY Ch | QOQ Ch | 2025 | 2026F | Change |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|-------------|
| Sales | 5,288 | 6,160 | 5,868 | 5,671 | 3.5% | 11.0% | -4.7% | 22,065 | 24,132 | 9.4% |
| Cost of Sales | -3,575 | -4,294 | -4,044 | -3,873 | 4.4% | 13.1% | -5.8% | -15,177 | -16,627 | 9.6% |
| Gross profit | 1,713 | 1,866 | 1,824 | 1,798 | 1.5% | 6.5% | -2.3% | 6,888 | 7,505 | 9.0% |
| S&D Expenses | -766 | -818 | -820 | -828 | -1.0% | 7.0% | 0.2% | -3,231 | -3,439 | 6.4% |
| G&A expenses | -130 | -138 | -141 | -141 | 0.2% | 8.3% | 2.1% | -561 | -603 | 7.5% |
| Other expense/income | 12 | -26 | -30 | -14 | NM | NM | 15.6% | -15 | -84 | NM |
| Impairment | -16 | -8 | -19 | -6 | NM | 22.1% | NM | -20 | -48 | NM |
| EBITDA | 1,428 | 1,494 | 1,451 | 1,247 | 16.4% | 1.6% | -2.9% | 4,735 | 5,138 | 8.5% |
| Operating profit | 813 | 875 | 814 | 809 | 0.5% | 0.0% | -7.0% | 3,060 | 3,330 | 8.8% |
| Investment & other income | 0 | 0 | 0 | 0 | NM | NM | NM | -1 | 0 | NM |
| Financial costs (net) | -125 | -106 | -137 | -133 | 3.2% | 9.6% | 29.8% | -463 | -522 | 12.7% |
| Profit before zakat | 688 | 770 | 677 | 677 | 0.0% | -1.7% | -12.1% | 2,596 | 2,808 | 8.2% |
| Zakat | -28 | -27 | -25 | -27 | -5.9% | -9.0% | -4.2% | -87 | -112 | 29.4% |
| Income Tax | -13 | -11 | -15 | -9 | NM | 15.9% | 41.0% | -52 | -51 | -3.2% |
| Profit before NCI | 647 | 732 | 636 | 640 | -0.6% | -1.7% | -13.1% | 2,457 | 2,645 | 7.7% |
| Non-controlling interests | 0 | 0 | 1 | 0 | NM | NM | NM | 1 | 1 | 7.7% |
| Profit attributable | 647 | 732 | 636 | 640 | -0.7% | -1.7% | -13.2% | 2,456 | 2,644 | 7.7% |

FABS estimate & Co Data

Almarai - Margins

| | 2Q25 | 1Q26 | 2Q26 | YOY Ch | QOQ Ch | 2025 | 2026F | Change |
|------------------|-------|-------|-------|--------|--------|-------|-------|--------|
| Gross Profit | 32.4% | 30.3% | 31.1% | -131 | 79 | 31.2% | 31.1% | -12 |
| EBITDA | 27.0% | 24.3% | 24.7% | -228 | 46 | 21.5% | 21.3% | -17 |
| Operating Profit | 15.4% | 14.2% | 13.9% | -151 | -34 | 13.9% | 13.8% | -7 |
| Net Profit | 12.2% | 11.9% | 10.8% | -140 | -105 | 11.1% | 11.0% | -17 |

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 | 61.42 | 70.0% | 42.99 |
| Relative Valuation (RV) | 56.70 | 30.0% | 17.01 |
| Weighted Average Valuation (SAR) | | | 60.00 |
| Current market price (SAR) | | | 46.60 |
| Upside/Downside (%) | | | +28.8% |

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 8.8%, and after-tax cost of debt of 5.2% with a debt-to-equity ratio of 30.0%. Cost of equity is calculated by using the 10-year government bond yield of 5.4%, beta of 0.80 and equity risk premium of 4.2%. 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 5.4% is calculated after adjusting for a tax rate of 4.0%, resulting into an after-tax cost of debt of 5.2%. Also, assumed a terminal growth rate of 2.5%.

| | |
|--|---------------|
| Sum of PV (SAR, Mn) | 12,338 |
| Terminal value (SAR, Mn) | 62,954 |
| FV to Common shareholders (SAR, Mn) | 75,292 |
| No. of share (Mn) | 1,000 |
| Current Market Price (SAR) | 46.60 |
| Fair Value per share (SAR) | 61.42 |

DCF Method

| (All Figures in SAR Mn) | FY 2026E | FY 2027E | FY 2028E | FY 2029E | FY 2030E |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash Flow from Operations | 5,797 | 6,204 | 6,758 | 7,767 | 8,339 |
| CAPEX | -4,754 | -3,526 | -3,700 | -3,765 | -3,620 |
| Free Cash Flow to Firm (FCFF) | 1,043 | 2,678 | 3,058 | 4,002 | 4,720 |
| Discounting Factor | 0.96 | 0.89 | 0.83 | 0.77 | 0.71 |
| Discounted FCFF | 1,005 | 2,391 | 2,529 | 3,065 | 3,349 |

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 13.7x 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 | 2,171 | 5.7 | 5.4 | 12.2 | 11.5 |
| SADAFCO | 1,871 | 14.1 | 12.8 | 20.1 | 18.0 |
| Agthia | 794 | 7.4 | 6.4 | 14.5 | 10.8 |
| Mezzan Holdings | 1,087 | 10.9 | 10.4 | 17.1 | 15.8 |
| Halwani Brothers | 313 | 11.4 | 10.5 | 24.7 | 20.0 |
| National Agricultural Dev Co. | 1,182 | 5.1 | 4.8 | 13.8 | 12.7 |
| Average | | 9.1x | 8.4x | 17.1x | 14.8x |
| Median | | 9.2x | 8.4x | 15.8x | 14.3x |
| Max | | 11.2x | 10.5x | 19.4x | 17.5x |
| Min | | 6.1x | 5.6x | 14.0x | 11.8x |

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% |

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 | Online Trading Link |
| Institutional Desk | +971-4-4245765 | |

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.