

National Agricultural Development Co. (NADEC)

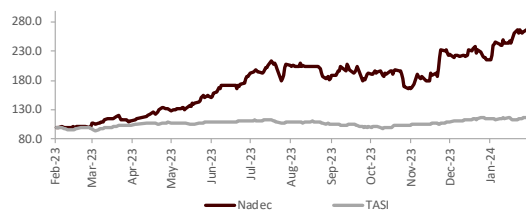
Recommendation

Buy

Current Market Price (SAR)	31.5
52wk High / Low (SAR)	32.9/11.3
Mkt. Cap. (USD/SAR Mn)	2,528/9,487
Shares Outstanding (mn)	301.6
Free Float (%)	61.3%
3m Average Vol. (000)	1,674
3m Avg Daily Turnover (SAR'000)	45,664
Dividend Yield '24e (%)	0.0%
P/E'24e (x)	27.0
EV/EBITDA'24e (x)	4.5

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Revenue	2,272	2,694	3,176	3,491
Gross profit	631	808	1,125	1,229
GPM (%)	28%	30%	35%	35%
EBIT	(65)	164	419	460
EBIT margin (%)	-3%	6%	13%	13%
Net Income	(285)	95	309	352
Net margin (%)	-13%	4%	10%	10%
EPS (SAR)	-2.8	0.9	1.0	1.2
RoE (%)	-21%	8%	21%	20%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

The Saudi Agricultural Investment and Animal Production Company	38.6%
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Source: Bloomberg, Yaqeen Capital

Net earnings surged due to increased selling prices

- Nadec's net income in 3Q2023 jumped by 171.2% YoY (+15.6% QoQ) to SAR 75mn increase in revenue and lower cost of sales. Net margin improved to 8.7% (+4.8ppts YoY; 0.5ppts QoQ).
- Revenue increased by 22.6% YoY (+9.6% QoQ) to SAR 861mn on the back of an increase in sales in the dairy & food processing sector and sales in the Agri sector. For 9M2023, revenue surged 18.4% YoY to SAR 2396mn.
- Gross profit reached SAR 324mn, registering growth of 46.8% YoY and 9.4% QoQ. Gross margins improved to 37.6% (+6.2ppts YoY; -0.1% QoQ) mainly on account of the increase in selling prices.
- Operating profit for 3Q2023 increased by 119.4% YoY (+17.1% QoQ) to SAR 92mn primarily due to increase in sales, decrease in cost of sales percentage over revenue and this increase partially offset by increase in selling & marketing expenses and general & admin expenses. Consequently, Operating margins improved to 10.7% (+4.7ppts YoY; +0.7ppts QoQ).
- In 3Q2023, Nadec's finance cost increased by 43.3% YoY due to an increase in interest rates because of an increase in SIBOR.
- For 9M2023, Operating profit increased 95.8% to SAR 228mn. Consequent margins improved by 3.8ppts to 9.5%.
- For 9M2023, Net income surged 153.1% to SAR 178mn with net margin of 7.4% (+4ppts YoY).

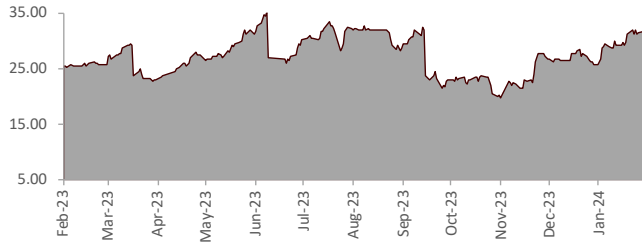
Outlook & Valuation: NADEC stands prominently as a leading food and agricultural entity across the Middle East and North Africa, poised for further growth. Its strategic vision entails broadening its product range within the Dairy and Juice sectors to fortify its market presence, ensuring sustainable and profitable advancement. Additionally, the company is set to venture into the Red Meat domain and collaborate with local farmers to furnish consumers with a diverse array of premium produce. The recent right issue is anticipated to facilitate the realization of these expansion endeavors while enhancing the company's capital framework and bolstering its financial resilience. After conducting relative valuation analysis, we have determined a fair value of SAR 35.0/share. With an appealing upside potential of 11.3% from its current levels, we advocate a Buy rating for the stock.

Financial Summary

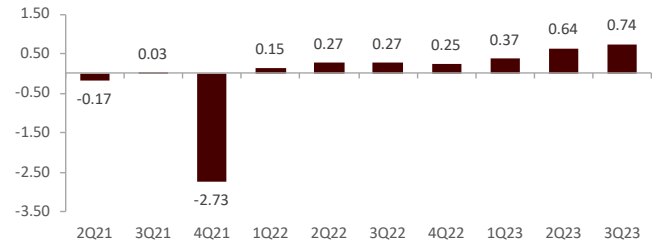
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	861	703	23%	786	10%
Gross profit	324	220	47%	296	9%
GPM (%)	38%	31%		38%	
EBIT	92	42	119%	79	17%
EBIT margin (%)	11%	6%		10%	
Net Income	75	28	171%	65	16%
Net margin (%)	9%	4%		8%	
EPS (SAR)	0.7	0.3	171%	0.6	16%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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