

## Almarai Co. (ALMARAI)

## Recommendation

Buy

|                                 |               |
|---------------------------------|---------------|
| Current Market Price (SAR)      | 57.9          |
| 52wk High / Low (SAR)           | 71.0/51.6     |
| Mkt. Cap. (USD/SAR Mn)          | 15,430/57,900 |
| Shares Outstanding (mn)         | 1,000.0       |
| Free Float (%)                  | 63.5%         |
| 3m Average Vol. (000)           | 714.5         |
| 3m Avg Daily Turnover (SAR'000) | 40,005        |
| Dividend Yield '24e (%)         | 2.0%          |
| P/E'24e (x)                     | 23.0          |
| EV/EBITDA'24e (x)               | 11.9          |

Source: Bloomberg

## Relative Price Performance



## Key Indicators

| SAR (mn)          | 2022   | 2023   | 2024e  | 2025e  |
|-------------------|--------|--------|--------|--------|
| Revenue           | 18,722 | 19,576 | 21,218 | 23,027 |
| Gross profit      | 5,624  | 6,051  | 6,641  | 7,254  |
| GPM (%)           | 30%    | 31%    | 31%    | 32%    |
| EBIT              | 2,276  | 2,694  | 3,104  | 3,466  |
| EBIT margin (%)   | 12%    | 14%    | 15%    | 15%    |
| EBITDA            | 4,556  | 5,017  | 5,507  | 5,967  |
| EBITDA margin (%) | 24%    | 26%    | 26%    | 26%    |
| Net Income        | 1,760  | 2,049  | 2,535  | 2,878  |
| Net margin (%)    | 9%     | 10%    | 12%    | 12%    |
| EPS (SAR)         | 1.76   | 2.05   | 2.54   | 2.88   |
| RoE (%)           | 10%    | 12%    | 13%    | 14%    |

Source: Company Reports, Yaqeen Capital

## Major Shareholders (%)

|   |        |
|---|--------|
| Savola Group Company                            | 34.52% |
| Sultan Holding Company                          | 23.70% |
| Saudi Agricultural and Livestock Investment Co. | 16.32% |

Source: Bloomberg, Yaqeen Capital

## Bottom Line Improves Amid Revenue Growth

- ALMARAI's net income in 2Q2024 grew by 11.2% YoY, reaching SAR 620mn. This growth was driven by revenue growth, disciplined cost control, a favorable product mix, and stabilized commodity costs. However, the net income decreased by 10.5% QoQ due to seasonal consumption patterns affecting revenue. Additionally, the net margin for 2Q2024 improved by 40 bps YoY, but declined by 66 bps QoQ, reaching 12.0%.
- Various business categories contributed to a 11.2% YoY increase in net income growth. The Dairy & Juice category saw an increase in net profit due to improved sales in core GCC markets, especially for dairy categories, and tight cost management. The Bakery category experienced higher net profit thanks to production efficiencies and seasonal adjustments in consumption patterns. The Poultry category also reported positive net profit growth, driven by higher revenue, continued production optimization, and improved economies of scale.
- Revenue for 2Q2024 rose by 7.6% YoY to SAR 5,155mn, driven by strong volume growth across all product categories, with the dairy and poultry categories leading. However, revenue fell by 5.6% QoQ due to seasonal consumption patterns.
- Gross profit for 2Q2024 increased by 8.6% YoY to SAR 1,702mn, with the corresponding margin increasing by 33 bps YoY but declining by 173 bps QoQ, reaching 33.0%.
- Operating income in 2Q2024 increased by 10.4% YoY to SAR 793mn but decreased by 8.7% QoQ. The corresponding margin improved by 39 bps YoY but declined by 53 bps QoQ, reaching 15.4%.

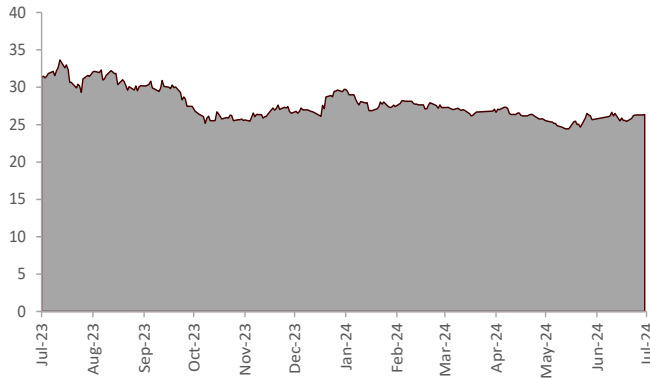
**Outlook & Valuation:** We have a positive outlook on ALMARAI, anticipating robust earnings growth driven by price increases, expanding market share in profitable segments, decreasing prices of key raw materials, and enhanced production capacity. Additionally, we foresee favorable growth opportunities for the company due to expected improvements in overall economic conditions, such as declining inflation, potential interest rate cuts, and a rise in tourism. Despite trading at a P/E of 23.0 (based on forecasted earnings per share for the fiscal year 2024), the stock appears undervalued, with potential positive factors not fully factored into its price. Based on an equal-weighted valuation using DCF and P/E methodologies, we arrive at a fair value of SAR 64.7 per share, offering an upside of 11.8% from the current level. Therefore, we recommend a Buy rating on the stock.

## Financial Summary

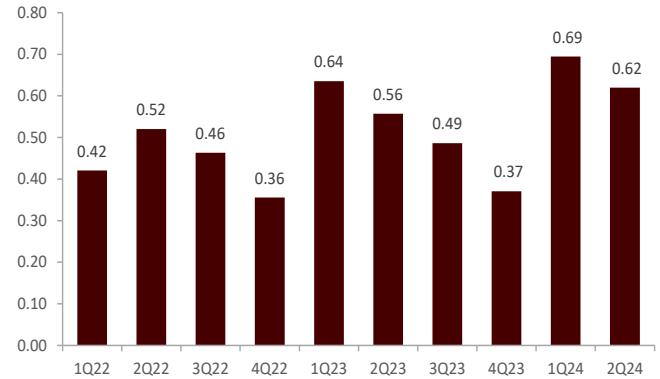
| SAR (mn)          | 2Q2024 | 2Q2023 | YoY | 1Q2024 | QoQ  |
|-------------------|--------|--------|-----|--------|------|
| Revenue           | 5,155  | 4,792  | 8%  | 5,459  | -6%  |
| Gross profit      | 1,702  | 1,567  | 9%  | 1,708  | 0%   |
| GPM (%)           | 33%    | 33%    |     | 31%    |      |
| EBIT              | 793    | 719    | 10% | 869    | -9%  |
| EBIT margin (%)   | 15%    | 15%    |     | 16%    |      |
| EBITDA            | 1,384  | 1,286  | 8%  | 1,412  | -2%  |
| EBITDA margin (%) | 27%    | 27%    |     | 26%    |      |
| Net Income        | 620    | 557    | 11% | 692    | -10% |
| Net margin (%)    | 12%    | 12%    |     | 13%    |      |
| EPS (SAR)         | 0.62   | 0.56   | 11% | 0.69   | -10% |

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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