

National Agricultural Development Co. (NADEC)

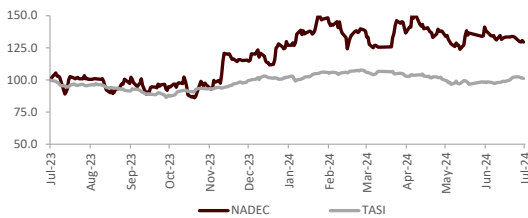
Recommendation

Buy

Current Market Price (SAR)	30.0
52wk High / Low (SAR)	36.1/19.8
Mkt. Cap. (USD/SAR Mn)	2,412/9,049
Shares Outstanding (mn)	301.6
Free Float (%)	61.4%
3m Average Vol. (000)	1,262
3m Avg Daily Turnover (SAR'000)	40,148
P/E'24e (x)	20.7
EV/EBITDA'24e (x)	4.7

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	2,694	3,197	3,437	3,609
Gross profit	808	1,184	1,323	1,403
Gross margin (%)	30%	37%	39%	39%
EBIT	147	345	468	507
EBIT margin (%)	5%	11%	14%	14%
Net Income	95	302	437	468
Net margin (%)	4%	9%	13%	13%
EPS (SAR)	0.61	1.77	1.45	1.55
RoE (%)	8%	12%	11%	11%

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

Earnings rose on account of lower costs

- NADEC saw a significant increase in net income for 2Q2024, rising by 71.8% YoY (+10.4% QoQ) to SAR 112mn. This growth was driven by lower cost of sales, reduced selling and marketing expenses, and SAR 22mn in treasury income from Murabaha bank deposits made from unused rights issue proceeds during the current quarter. The net margin improved by 5.9ppts YoY (+2.3ppts QoQ) to 14.2%.
- Revenue for 2Q2024 increased by 0.5% YoY to SAR 790mn, mainly due to SAR 44mn in revenue from the new protein segment. This increase was partially offset by a decline in sales of raw milk and in the agricultural sector. On a QoQ basis, revenue declined by 7.9% primarily due to a decrease in sales in the dairy and food processing sector of 9.1% and in the protein sector of 10.2%.
- Gross profit rose by 0.9% YoY to SAR 299mn in 2Q2024 due to increased revenue and a decrease in the cost of sales as a percentage of net revenue. On a QoQ basis, it decreased by 7.5% due to a decline in revenue. Gross margins improved to 37.8% (+0.1ppts YoY; +0.2ppts QoQ).
- Operating profit for 2Q2024 increased by 24.7% YoY due to higher sales, a decrease in the cost of sales as a percentage of revenue, reduced selling and marketing expenses, and lower impairment losses for trade and other receivables. This increase was partially offset by higher general and administrative expenses. On a QoQ basis, operating profit rose by 0.9% due to lower selling and marketing expenses and zakat expenses, partially offset by decreased sales. Operating margins improved by 2.4ppts YoY (+1.1ppts QoQ) to 12.4%.
- Finance costs decreased by 50.1% YoY (-7.2% QoQ) to SAR 9mn in 2Q2024 due to the reduction in borrowings.

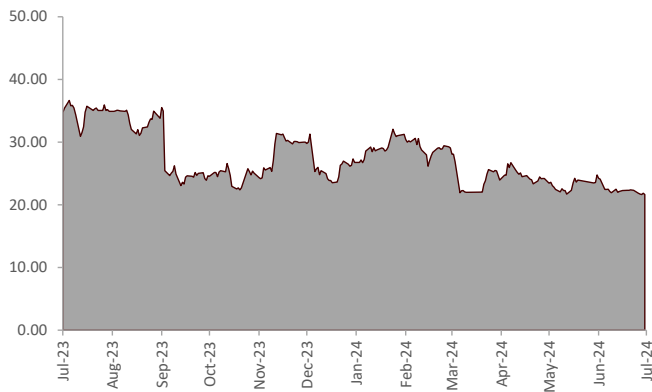
Outlook & Valuation: NADEC is acknowledged as a leading entity in the food and agriculture sectors across the MENA region, poised for ongoing growth. Its strategic goals encompass expanding its Dairy and Juice product lines to enhance market standing while prioritizing sustainable growth and profitability. Additionally, NADEC plans to venture into the Red Meat sector and establish partnerships with local farmers, aiming to offer consumers a diverse selection of high-quality products. After conducting relative valuation analysis, we have determined a fair value of SAR 34.1/share. With an appealing upside potential of 13.6% from its current levels, we recommend a Buy rating on the stock.

Financial Summary

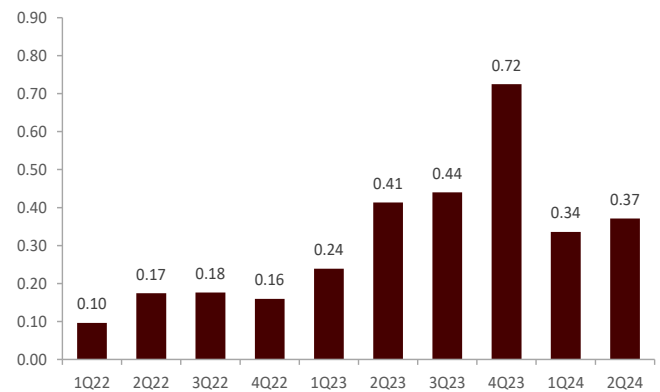
SAR (mn)	1Q2024	1Q2023	YoY	4Q2023	QoQ
Revenue	790	786	1%	858	-8%
Gross profit	299	296	1%	323	-7%
Gross margin (%)	38%	38%		38%	
EBIT	98	79	25%	97	1%
EBIT margin (%)	12%	10%		11%	
Net Income	112	65	72%	101	10%
Net margin (%)	14%	8%		12%	
EPS (SAR)	0.37	0.41	-10%	0.34	10%

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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