

Almarai Co. (ALMARAI)

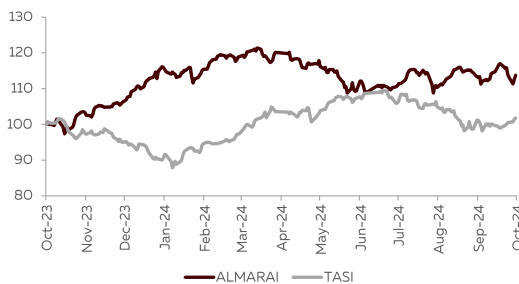
Target Price: SAR 65.1/share

Upside: 15.2%

Recommendation	Buy
Current Market Price (SAR)	56.8
52wk High / Low (SAR)	64.1/51.6
Mkt. Cap. (USD/SAR Mn)	15,137/56,800
Shares Outstanding (mn)	1,000.0
Free Float (%)	64.2%
3m Average Vol. (000)	624.6
3m Avg Daily Turnover (SAR'000)	35,589
Dividend Yield '24e (%)	2.1%
P/E'24e (x)	22.5
EV/EBITDA'24e (x)	11.7

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	5,621	5,988
EBITDA margin (%)	24%	26%	26%	26%
Net Income	1,760	2,049	2,516	2,839
Net margin (%)	9%	10%	12%	12%
EPS (SAR)	1.76	2.05	2.52	2.84
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

Earnings surge YoY amid robust revenue growth and cost discipline

- Almarai's net income for 3Q2024 increased by 17.3% YoY to SAR 570mn, driven by revenue growth, disciplined cost control, a favorable product mix, and stabilized commodity costs. However, net income declined by 7.9% QoQ due to an adverse product mix and seasonal consumption patterns. The net margin for 3Q2024 improved by 0.8ppts YoY but fell by 1.1ppts QoQ, settling at 11.0%.
- Revenue for 3Q2024 grew by 8.6% YoY (+1.1% QoQ) to SAR 5,209mn, driven by strong volume growth across all product categories, with the foods and dairy segments (both long-life and fresh) leading the way.
- Gross profit for 3Q2024 rose by 13.6% YoY to SAR 1,670mn, as revenue outpaced the cost of revenue. However, it declined by 1.9% QoQ due to a higher increase in the cost of sales relative to sales. The gross margin increased by 1.4ppts YoY but dropped by 1.0ppts QoQ to 32.1%.
- Operating income for 3Q2024 increased by 15.3% YoY to SAR 742mn, supported by higher gross profit but declined by 6.4% QoQ due to lower gross profit and increased selling and distribution expenses. The operating margin improved by 0.8ppts YoY but decreased by 1.1ppts QoQ to 14.3%.
- For 9M2024, net income rose by 12.2% YoY to SAR 1,882mn, driven by revenue growth, disciplined cost control, a favorable product mix, and stabilized commodity costs. The net income margin increased by 0.4ppts to 11.9%.
- Revenue for 9M2024 grew by 8.0% YoY to SAR 15,822mn, supported by strong performance in the core GCC market, with contributions from all categories, particularly fresh dairy and poultry.

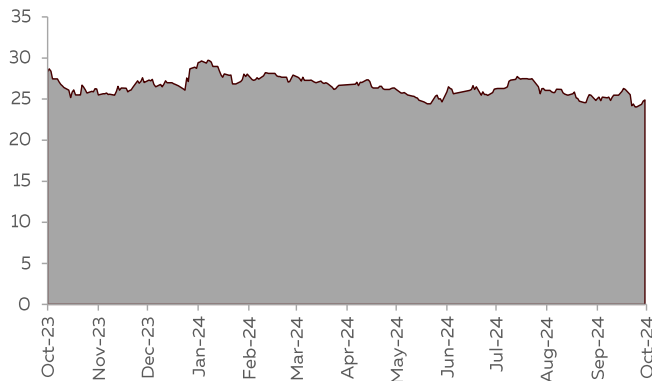
Outlook & Valuation: We maintain a positive outlook on Almarai, expecting strong earnings growth fueled by price hikes, increasing market share in high-margin segments, lower prices for key raw materials, and expanded production capacity. Moreover, we anticipate favorable growth prospects for the company due to improving economic conditions, including decreasing inflation, potential interest rate reductions, and a boost in tourism. Despite trading at a P/E of 22.5 (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 65.1 per share, offering an upside of 12.2% from the current level. Therefore, we recommend a Buy rating on the stock.

Financial Summary

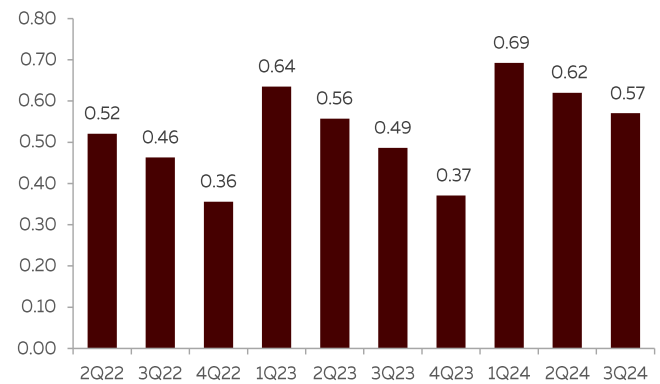
SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	5,209	4,797	9%	5,155	1%
Gross profit	1,670	1,469	14%	1,702	-2%
GPM (%)	32%	31%		33%	
EBIT	742	644	15%	793	-6%
EBIT margin (%)	14%	13%		15%	
EBITDA	1,340	1,236	8%	1,384	-3%
EBITDA margin (%)	26%	26%		27%	
Net Income	570	486	17%	620	-8%
Net margin (%)	11%	10%		12%	
EPS (SAR)	0.57	0.49	17%	0.62	-8%

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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