

Earnings meet expectations; 25.5% decline in stock price over the last 12 months has opened up valuations; upgrade to 'Overweight'

Modern mills reported net income of SAR 66mn in Q1-26 up only 0.4% Y/Y (+25.9% Q/Q), as revenue growth was offset by contraction in margins. The result was largely in line with AJBC and consensus estimate of SAR 62.7mn (+5.2% deviation) and SAR 64.8mn (+1.6% deviation) respectively. Revenues grew by 6.4% Y/Y (+3.0% Q/Q) to SAR 281mn in Q1-26 (-1.5% deviation to AJBC estimate of SAR 286mn). The growth was primarily driven by volume increase across all three categories and positive product mix in Flour and Bran. After the 25.5% drop in stock price over the past 12 months the stock trades at a 2026e PE of 11.6x, which is a steep discount to Saudi food and beverage sector PE of 19.0x. Even on our worst-case scenario (complete abolishment of subsidy and no price limit) earnings estimate of SAR 2.0 per share, the company trades at a PE of 14.5x.

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- **Revenues** grew by 6.4% Y/Y (+3.0% Q/Q) to SAR 281mn in Q1-26 (-1.5% deviation to AJBC estimate of SAR 286mn). The growth was primarily driven by volume increase across all three categories and positive product mix in Flour and Bran.
- **Gross profit** increased by 7.3% Y/Y and 9.9% Q/Q to SAR 109mn in Q1-26 (+4.8% deviation to AJBC estimate of SAR 104mn). Gross margin expanded by 30bps Y/Y (+244bps Q/Q) to 38.6% (+232bps deviation to AJBC estimate of 36.3%).
- **Operating profit** grew by 4.1% and 18.7% Q/Q to SAR 76mn in Q1-26 (+0.9% deviation to AJBC estimate of SAR 75mn). Operating margin stood at 27.0% in Q1-26, down 59bps Y/Y (+357bps Q/Q) and 63bps above AJBC estimate of 26.4%. OPEX-to-sales grew by 90bps Y/Y to 11.6%. The increase in operating expenses is linked to geographical expansion. Moreover, Net income was also impacted by higher finance cost.

AJBC view and valuation: Modern mill's earnings for Q1-26 were flat on a Y/Y basis, the increase in revenue could not transpire into the bottom line as it was offset by contraction in operating margins and higher financing costs. After the 25.5% drop in stock price over the past 12 months the stock trades at a 2026e PE of 11.6x, which is a steep discount to Saudi food and beverage sector PE of 19.0x. Even on our worst-case scenario (complete abolishment of subsidy and no price limit) earnings estimate of SAR 2.0 per share, the company trades at a PE of 14.5x. Hence, we upgrade our rating for the stock to "Overweight" with an unchanged TP of **SAR 37.9 per share**, which implies an upside of 30.3%.

Results Summary

SAR mn	Q1-25	Q4-25	Q1-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	264	273	281	6.4%	3.0%	-1.5%
Gross profit	101	99	109	7.3%	9.9%	4.8%
Gross margin	38.3%	36.2%	38.6%	-	-	-
EBIT	73	64	76	4.1%	18.7%	0.9%
Net profit	66	52	66	0.4%	25.9%	5.2%
EPS	0.80	0.64	0.81	-	-	-

Source: Company Reports, Aljazira Capital Research

Recommendation	Overweight
Target Price (SAR)	37.9
Upside / (Downside)*	30.3%

Source: Tadawul *prices as of 28th of April 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenue	939	1,015	1,047
Growth %	-4.0%	8.1%	3.1%
Gross Profit	346	388	391
EBIT	254	259	258
Net Profit	202	209	224
Growth %	-13.4%	6.4%	4.2%
EPS	2.47	2.55	2.73
DPS	1.0	2.0	1.98

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	36.8%	38.2%	37.4%
EBIT Margin	27.0%	25.5%	24.7%
Net Margin	21.5%	20.6%	21.4%
P/E (x)	-	16.1	10.4
P/B (x)	-	12.8	7.3
EV/EBITDA (x)	-	8.9	12.0
Div Yield (%)	-	4.9%	6.9%

Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap (bn)	2.4
YTD%	1.61%
52 week (High)/(Low)	39.2/24.9
Share Outstanding (mn)	81.8

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH
DIVISION

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RATING
TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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