



## Improvement in margins and revenue growth supported the increase in net profit

Almarai posted net income of SAR 430.7mn in Q4-24, which corresponds to EPS of SAR 0.43, up 16.2% Y/Y and down 24.5% Q/Q, respectively. Earnings were broadly in line with AJC estimate of SAR 459mn (-6.2% deviation). Company's revenues increased by 4.8% Y/Y to SAR 5,157mn, in line with our estimate of SAR 5,277mn (deviation of -2.3%). Revenue growth was due to broad based volume growth especially in the food and fresh dairy segment. Profit growth was driven by higher sales in GCC markets, new product launches, growth in single-serve baked goods, product optimization and improved economies of scale in poultry segment. Overall, Almarai's SAR 18bn investment plan is expected to drive earnings CAGR of 16.4% over 2024-28. The company currently trades at an estimated FY25E forward PE multiple of 23.0x; we remain "Neutral" on Almarai with a TP of SAR 62.0/share.

- Almarai posted net income of SAR 430.7mn in Q4-24, which corresponds to EPS of SAR 0.43, up 16.2% Y/Y and down 24.5% Q/Q, respectively. Earnings were broadly in line with AJC estimate of SAR 459mn (-6.2% deviation), however were 10.6% lower than consensus estimate of SAR 481mn. The Y/Y increase in bottom-line is owed to 4.8% Y/Y growth in revenue and 231bps improvement in gross margins (most likely due to easing of commodity prices), which along with disciplined cost controls resulted in an 82bps improvement in net margins. Profit growth in dairy & juice segment was driven by higher sales in GCC markets and new product launches, while for Bakery segment improvement is owed to growth in single-serve baked goods. Moreover, production optimization and improved economies of scale drove net income growth for the poultry segment.
- Company's revenues increased by 4.8% Y/Y to SAR 5,157mn, in line with our estimate of SAR 5,277mn (deviation of -2.3%). Revenue growth was due to broad based volume growth across most products and countries especially in the food and fresh dairy segment. On a Q/Q basis, sales were down 1.0% in Q4-24, due to variations in seasonal consumption patterns.
- The gross profit was reported at SAR 1,583mn (+13.3% Y/Y, -5.2% Q/Q), 1.3% above our estimate of SAR 1,562mn. The GP margin improved to 30.7%, an expansion of 231bps Y/Y and -136bps Q/Q, and 109bps above our estimate of 29.6%. The deviation was mainly due to lower-than-expected cost of sales (most likely due to easing off of commodity prices).
- Operating profit stood at SAR 591mn, a rise of 11.8% Y/Y (a decline of 20.4% Q/Q), due to better cost controls, including general and administrative expenses. Consequently, operating margins improved to 11.5% in Q4-24 (+71bps Y/Y; -279bps Q/Q); -32bps lower than our estimate. Operating expenses as percentage of sales increased to 19.2% as compared to 17.6% in same quarter last year (AJC estimate 17.8%)
- Overall, the company posted net income of SAR 430mn in Q4-24, increase of 16.2% Y/Y (down 24.5% Q/Q) with a -6.2% deviation to AJC estimate. Net margins stood at 8.4% in Q4-24 as compared to 7.5% in same period last year (down 260bps on a sequential basis) and deviation of -35bps from AJC estimate.

**AJC view and valuation:** Almarai posted a strong set of result (net income up 16.2% Y/Y) on account of improvement in margins (cost controls and commodity price declines) and broad based revenue growth (new product launches and organic growth). The company plans on investing SAR 18bn in poultry, dairy, juices and bakery segment; these investments would increase presence in GCC, Egypt, Jordan and other regional countries. Moreover, these investments would be mostly funded by companies operating cash flows. We expect the aforementioned investments to drive revenue and net income CAGR of 7.2% and 16.4% respectively over 2024-28. Recent increase in diesel price is expected to have a ~SAR 200mn direct negative impact on net income; we highlight further increases are likely as local diesel prices are still at a discount to global averages. Almarai currently trades at an estimated forward PE multiple of 23.0x for FY25E; we maintain our "Neutral" recommendation on Almarai, with a TP at SAR 62.0/share.

### Results Summary

SAR mn	Q4-23	Q3-24	Q4-24	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	4,919.7	5,208.9	5,157.3	4.8%	-1.0%	-2.3%
Gross Profit	1,396.9	1,669.9	1,583.4	13.3%	-5.2%	1.3%
<i>Gross Margin</i>	<i>28.4%</i>	<i>32.1%</i>	<i>30.7%</i>	-	-	-
EBIT	528.9	742.4	591.1	11.8%	-20.4%	-4.9%
Net Profit	370.7	570.5	430.7	16.2%	-24.5%	-6.2%
EPS	0.37	0.57	0.43			

Source: Tadawul, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	62.0
Upside / (Downside)*	8.0%

Source: Tadawul \*prices as of 19<sup>th</sup> of January 2025

### Key Financials

SAR mn (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	19,576	20,979	21,050	23,027
Growth %	4.6%	7.2%	3.6%	9.4%
Net Income	2,049	2,313	2,534	2,966
Growth %	16.6%	12.8%	10.8%	17.0%
EPS	2.05	2.34	2.53	2.97

Source: Company reports, Aljazira Capital Research

### Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	30.9%	31.7%	31.6%	31.8%
Net Margin	13.8%	11.0%	14.8%	15.2%
P/E (x)	27.19	24.09	23.01	19.66
P/B* (x)	3.14	3.05	2.83	2.58
EV/EBITDA* (x)	13.04	14.15	13.66	12.35
Dividend Yield	1.8%	1.7%	1.7%	1.7%

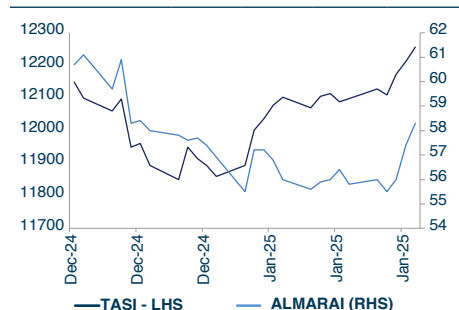
Source: Company reports, Aljazira Capital Research, \*FY24E

### Key Market Data

Market Cap(bn)	58.30
YTD%	1.92%
52 week (High)/(Low)	62.7/51.6
Share Outstanding (mn)	1000.0

Source: Company reports, Aljazira Capital Research

### Price Performance



Source: Bloomberg, Aljazira Capital Research

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RESEARCH DIVISION

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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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