

## Almarai Company (Almarai) - 3Q22 Result Review

Analyst: Ayisha Zia

**Previous Recommendation:** **Hold**

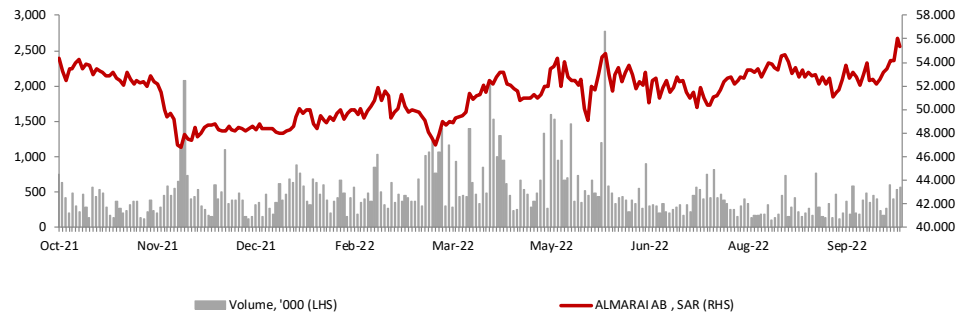
**Target Price (SAR):** **50.50**

Previous Reco. & Date: TP: SAR 50.50 per share; Hold on 17-Jul-2022

Upside / (Downside): -9%

Date: 10/9/2022

Bloomberg Ticker	ALMARAI AB
Current Market Price (SAR)	55.40
52wk High / Low (SAR)	56.4/46.25
12m Average Vol. (000)	491.1
Mkt. Cap. (USD/SAR mn)	14,738/55,400
Shares Outstanding (mn)	1,000.0
Free Float (%)	41%
3m Avg Daily Turnover (000)	17,915.1
6m Avg Daily Turnover (000)	25,739.6
P/E'22e (x)	29.4
P/Bv'22e (x)	3.3
Dividend Yield '22e (%)	1.9%
Price Perf. (1m/3m) (%)	7.6/7.6



### Revenue climbs about 21% YoY to match our estimate

Almarai's revenue in 3Q22 climbed c.21% YoY to SAR 4.7bn, in line with our estimate (+3% variation). On the back of relatively improved operating conditions viz-a-viz last year's period, all the major segments posted healthy growth. The poultry segment posted the highest revenue growth of 43.2% YoY, followed by the bakery segment (+31.8% YoY), and the dairy & juice segment (+15.4% YoY).

### Gross profit matches our estimate, but operating profit misses

Almarai's gross profit rose at a slightly slower rate (vs. revenue) of 17% YoY owing to higher input and logistics costs, matching our expectations. However, operating profit (+12% YoY) missed our estimate by 10%, likely due to a one-off charge booked on investment in farming outside KSA.

### Net profit expands by 13%, slightly below expectations

A change in the management's estimate of zakat provisions impacted positively, offsetting higher interest costs. This aided net profit to rise at a slightly higher rate vs. operating profit at 13.2% YoY. However, the net profit of SAR 463mn came in 9% below our estimate.

### Maintain target price

The company's 3Q 2022 financial performance was mostly as per our expectations, and we believe the miss likely pertains to one-off adjustments, though detailed statements will give a clear picture. The management expects to carry on its positive momentum, albeit at a reducing rate given the persistent inflationary pressures. Accordingly, we maintain our SAR 50.5 target price on

Income Statement												
(SAR mn)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e	YoY (%)	QoQ (%)	Var (%)	9M21	9M22	YoY (%)
Sales/Revenue	3,941.7	4,257.4	4,503.5	4,610.4	4,769.1	4,643.6	21%	3%	3%	3,941.7	4,769.1	21.0%
Gross Profit (Loss)	1,275.7	1,192.7	1,331.9	1,469.6	1,488.7	1,484.9	17%	1%	0%	1,275.7	1,488.7	16.7%
Operating Profit (Loss)	518.6	392.2	547.1	646.3	578.9	641.1	12%	-10%	-10%	518.6	578.9	11.6%
<b>Net Profit (Loss) after Zakat and tax</b>	<b>409.1</b>	<b>286.5</b>	<b>420.5</b>	<b>520.4</b>	<b>463.2</b>	<b>510.3</b>	<b>13%</b>	<b>-11%</b>	<b>-9%</b>	<b>409.1</b>	<b>463.2</b>	<b>13.2%</b>
Balance Sheet												
(SAR mn)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	15,861.3	16,119.5	16,324.8	15,837.5	16,271.9	16,347.8	3%	3%	0%			
Key Ratios												
	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e						
Gross Profit Margin	32.4%	28.0%	29.6%	31.9%	31.2%	32.0%						
Operating Profit Margin	13.2%	9.2%	12.1%	14.0%	12.1%	13.8%						
Net Profit Margin	10.4%	6.7%	9.3%	11.3%	9.7%	11.0%						
Return on Equity (RoE)	10.3%	7.1%	10.3%	13.1%	11.4%	12.5%						
Annualized EPS (SAR)	1.64	1.15	1.68	2.08	1.85	2.04						
BVPS (SAR)					16.27	16.35						
TTM P/E (x)					32.8							
Current P/BV (x)					3.4							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report, please [click here](#).

## Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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