

## Almarai Company (Almarai) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

**Hold**

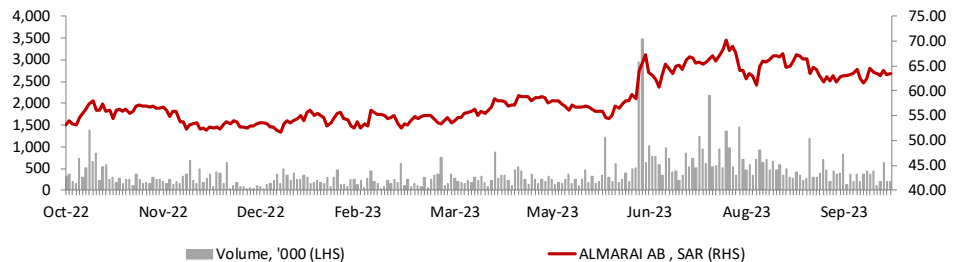
Target Price (SAR): **61.00**

Previous Reco. & Date: TP: SAR 61.00 per share; Hold on 16-Jul-2023

Upside / (Downside): -4%

Date: **10/8/2023**

Bloomberg Ticker	ALMARAI AB
Current Market Price (SAR)	63.50
52wk High / Low (SAR)	71/51.5
12m Average Vol. (000)	385.0
Mkt. Cap. (USD/SAR mn)	16,824/63,100
Shares Outstanding (mn)	1,000.0
Free Float (%)	25%
3m Avg Daily Turnover (000)	35,687.6
6m Avg Daily Turnover (000)	32,624.6
P/E'23e (x)	28.8
EV/EBITDA'23e (x)	14.4
Dividend Yield '23e (%)	1.6%
Price Perf. (1m/3m) (%)	0.5/-2.9



### Revenue rises marginally YoY in 3Q 2023: in line with our estimate

Almarai's revenue inched up 0.6% YoY in 3Q 2023, matching our estimate (-1.9% variation). The revenue growth was driven by the Bakery segment, which benefitted from the 'Back to School' season, and the Poultry segment, where the addition of capacity during early 2023 aided in driving volumes higher YoY. However, a devaluation of the Egyptian pound and a decrease in alfalfa sales primarily to East Asian countries pulled down the overall revenue growth.

### Operating profit expands in double-digit, but misses our estimate on a weak gross profit

Owing to the muted revenue growth, gross profit edged lower by 1.3% YoY, missing our estimate by 9%. While the company increased its expenditure on marketing activities and trade costs, a stringent cost control overall and stabilization in the global commodity costs, mainly of corn, soybean, and alfalfa, boosted the operating profit by around 11% YoY (-9.6% miss). Net profit, however, rose at a relatively slower pace (+5.0% YoY), likely due to higher finance costs amid an elevated level of SAIBOR, and Almarai recording a one-off zakat provision reversal in 3Q 2022. As compared to our estimate, net profit came in 10.6% lower.

### Maintain target price

The company's past quarter results show that it is still facing pressure on the direct cost front despite easing commodity prices, while Egypt operations are also weighing on overall business performance. Against this backdrop, we maintain our SAR 61.00 per share target price on the stock.

### Valuation

At the current market price, the stock is trading at 28.8x P/E and 14.4x EV/EBITDA, based on our FY'23 estimates, above its 3-year daily average TTM P/E of 26.9x, and TTM EV/EBITDA of 13.9x.

Income Statement												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	4,769.1	4,839.2	5,066.6	4,792.3	4,796.9	4,887.4	0.6%	0.1%	-1.9%	13,883.0	14,655.8	5.6%
Gross Profit (Loss)	1,488.7	1,334.0	1,617.9	1,567.1	1,469.5	1,613.9	-1.3%	-6.2%	-9.0%	4,290.2	4,654.4	8.5%
Operating Profit (Loss)	578.9	504.0	802.5	718.5	643.9	712.7	11.2%	-10.4%	-9.6%	1,772.3	2,165.0	22.2%
<b>Net Profit (Loss) after Zakat and tax</b>	<b>463.2</b>	<b>355.8</b>	<b>635.1</b>	<b>557.1</b>	<b>486.3</b>	<b>543.7</b>	<b>5.0%</b>	<b>-12.7%</b>	<b>-10.6%</b>	<b>1,404.0</b>	<b>1,678.4</b>	<b>19.5%</b>
Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	16,271.9	16,671.4	17,237.2	16,817.3	17,492.2	17,361.0	7.5%	4.0%	0.8%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	31.2%	27.6%	31.9%	32.7%	30.6%	33.0%						
Operating Profit Margin	12.1%	10.4%	15.8%	15.0%	13.4%	14.6%						
Net Profit Margin	9.7%	7.4%	12.5%	11.6%	10.1%	11.1%						
Return on Equity (RoE)	11.4%	8.5%	14.7%	13.3%	11.1%	12.5%						
Annualized EPS (SAR)	1.85	1.42	2.54	2.23	1.95	2.17						
BVPS (SAR)					17.49	17.36						
TTM P/E (x)					31.2							
Current P/BV (x)					3.6							

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%

### Ubhar Capital SAOC (U Capital)

Website: [www.u-capital.net](http://www.u-capital.net)

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: [research@u-capital.net](mailto:research@u-capital.net)

**Disclaimer:** This report has been prepared by Ubhar Capital (U Capital) Research, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report, and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.