

Almarai Company (Almarai) - 1Q22 Result Review

Analyst: Ayisha Zia

Previous Recommendation: **Hold**

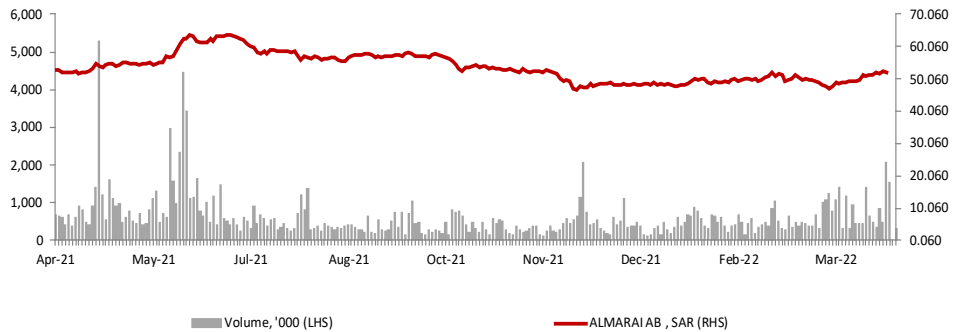
Target Price (SAR): **50.50**

Previous Reco. & Date: TP: SAR 50.50 per share; Hold on 31-Jan-2022

Upside / (Downside): -3%

Date: 4/10/2022

Bloomberg Ticker	ALMARAI AB
Current Market Price (SAR)	52.200
52wk High / Low (SAR)	64.9/46.25
12m Average Vol. (000)	614.7
Mkt. Cap. (USD/SAR mn)	13,919/52,200
Shares Outstanding (mn)	1,000.0
Free Float (%)	43%
3m Avg Daily Turnover (000)	30,629.7
6m Avg Daily Turnover (000)	25,561.2
P/E'22e (x)	27.6
P/Bv'22e (x)	3.0
Dividend Yield '21e (%)	2.1%
Price Perf. (1m/3m) (%)	6.3/8.9



Revenue jumps 24% YoY, exceeds our estimate

Almarai's revenue jumped 24% YoY in 1Q22 to SAR 4,503.5mn, coming in higher than our estimate of SAR 3,786.2mn. The revenue growth during the quarter was driven by dairy (fresh and dairy foods) and bakery category as the relaxations in COVID related restrictions led to improved operating conditions.

Higher costs restricts expansion in operating profit

Gross and operating profit grew at a relatively slower pace as elevated levels of commodity prices pushed input costs higher, which partially offset the revenue growth. Yet, the revenue beat aided operating profit (SAR 547.1mn; +9% YoY) exceed our estimate by 18%, though the operating profit margin came in-line at around 12%.

Bottom-line expands 9% YoY; 15% beat

Consequently, net profit grew 9% YoY to SAR 420.5mn, beating our expectations by 15%. However, net profit margin at 9.3% was slightly lower than our estimate of 9.7%.

Maintain rating

High global commodity inflation has restricted the revenue growth to translate in a similar profit growth, in our view, which is also visible in lower margins, both YoY and vs. our estimate. Considering the recent commodity price trends and under current geopolitical conditions, we expect Almarai to continue facing cost pressures going forward, and hence, we maintain our rating on the stock.

Income Statement

(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)	FY20	FY21	YoY (%)
Sales/Revenue	3,645.0	4,005.6	3,941.7	4,257.4	4,503.5	3,786.2	24%	6%	19%	15,356.9	15,849.7	3.2%
Gross Profit (Loss)	1,235.1	1,355.7	1,275.7	1,192.7	1,331.9	1,197.9	8%	12%	11%	5,535.5	5,059.3	-8.6%
Operating Profit (Loss)	502.4	601.6	518.6	392.2	547.1	463.9	9%	39%	18%	2,522.3	2,014.9	-20.1%
Net Profit (Loss) after Zakat and tax	385.9	482.0	409.1	286.5	420.5	365.6	9%	47%	15%	1,984.4	1,563.5	-21.2%

Balance Sheet

(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)
Shareholders' Equity	16,071.3	15,462.4	15,861.3	16,119.5	16,324.8	16,485.1	2%	1%	-1%

Key Ratios

	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e
Gross Profit Margin	33.9%	33.8%	32.4%	28.0%	29.6%	31.6%
Operating Profit Margin	13.8%	15.0%	13.2%	9.2%	12.1%	12.3%
Net Profit Margin	10.6%	12.0%	10.4%	6.7%	9.3%	9.7%
Return on Equity (RoE)	9.6%	12.5%	10.3%	7.1%	10.3%	8.9%
Annualized EPS (SAR)	1.54	1.93	1.64	1.15	1.682	1.46
BVPS (SAR)					16.325	16.485
TTM P/E (x)					32.7	
Current P/BV (x)					3.2	

For our earlier report on the sector, 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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