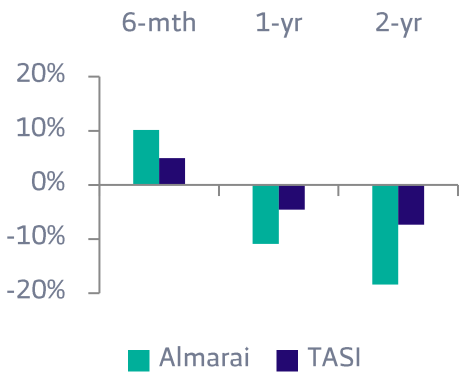
Revenue Growth Not Reflected in Net Profit

July 6, 2026

Upside to Target Price	5.2%	Rating	Neutral
Expected Dividend Yield	2.5%	Last Price	SAR 45.62
Expected Total Return	7.7%	12-mth target	SAR 48.00

Market Data	
52-week high/low	SAR 54.0/38.2
Market Cap	SAR 45,620 mln
Shares Outstanding	1,000 mln
Free-float	75.38%
12-month ADTV	833,183
Bloomberg Code	ALMARAI AB



Almarai	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	5,868	5,288	11%	6,160	(5%)	5,735
Gross Profit	1,824	1,713	6%	1,866	(2%)	1,807
Gross Margins	31%	32%		30%		32%
Operating Profit	814	813	0%	875	(7%)	809
Net Profit	636	647	(2%)	732	(13%)	648

(All figures are in SAR mln)

- Almarai reported revenues of SAR 5.9 bln, up +11% Y/Y but down -5% Q/Q, broadly in line with our estimate of SAR 5.7 bln. The annual growth was driven by higher revenue volumes across all markets and product categories, particularly the poultry segment, supported by production capacity expansion ,in addition to an improved revenue mix in the dairy segment. However, Ramadan seasonality weighed on quarterly performance, making the Q/Q comparison appear weaker.
- The revenue growth did not fully translate into gross profit, as cost of sales increased by +13% Y/Y to SAR 4.0 bln, broadly in line with our estimate of SAR 3.9 bln. This can be attributed to higher feed shipping and distribution costs in the dairy segment. Consequently, gross margin contracted by -131bps Y/Y to 31.1%, from 32.4% in the same quarter last year.
- Operating profit reached SAR 814 mln, remaining flat Y/Y while declining by -7% Q/Q, driven by a notable +12% Y/Y increase and a +2% Q/Q increase in operating expenses. Operating margin stood at 14%, down by -151bps Y/Y and -34bps Q/Q.
- Almarai reported a net profit of SAR 636 mln, compared to SAR 732 mln in the previous quarter and SAR 647 mln in the same quarter last year, representing a decline of -2% Y/Y and -13% Q/Q, in line with our estimate of SAR 648 mln. The performance was impacted by higher shipping and distribution costs, which limited the dairy segment's contribution to net profit on a Y/Y basis. We expect continued expansion in the protein segment to support revenue growth, while higher diesel prices, in addition to the indirect impacts on supply chains, will remain the key challenge. We maintain our Target Price and Neutral rating, as the company's growth drivers and cost pressures remain in line with our core assumptions. We believe that the key determinant of earnings growth will be the company's ability to contain cost pressures.

Raghad Aljumah
raghad.s.aljumah@riyadcapital.com
+966-11-203-6816

الرياض المالية
Riyad Capital

Disclaimer

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

For any feedback on our reports, please contact research@riyadcapital.com

Riyad Capital is a Saudi closed joint stock company with paid-up capital of SAR 500 million. Licensed by the Saudi Arabian Capital Market Authority (No. 07070-37). Commercial Registration No. 1010239234. Head Office: 3128 Financial Boulevard, 6671 Al Aqeeq Dist., Riyadh 13519, Kingdom of Saudi Arabia.
The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.