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Food & Beverages

2Q26 Financials Review and Almarai Co. 3Q26 Financials Review

Although sector revenue grew 11.1% Y/Y to SAR 8.75bn, net income fell 11.5% Y/Y, as margin contraction outweighed the top-line gain, driven broadly by Red Sea and Gulf shipping disruption that pushed up freight and input costs sector-wide. Almarai and Nadec grew revenue, and Sadafco grew core revenue, but saw margin pressure. Tanmiah's volume growth and better product mix along with Popeyes turning EBITDA-positive resulted in margin gains, while Entaj was the outlier, with industry-wide poultry oversupply driving a second consecutive quarterly net loss for the year. Broader headwinds due to the ongoing supply chain disruptions and resulting inflationary impact on interest rates are visible for the sector. We downgrade **TANMIAH to HOLD**, maintain our **HOLD call on NADEC and SADAFCO** and maintain **BUY call on ALMARAI**.

Stocks covered	Rating	Target Price
ALMARAI AB	Maintain BUY	48.9
SADAFCO AB	Maintain HOLD	207.0
TANMIAH AB	Downgrade to HOLD	79.4
NADEC AB	Maintain HOLD	14.6
ENTAJ AB	Not Rated	Not Rated



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SECTOR AGGREGATE FINANCIALS

Double-digit revenue growth offset by shipping, commodity and oversupply headwinds on margins

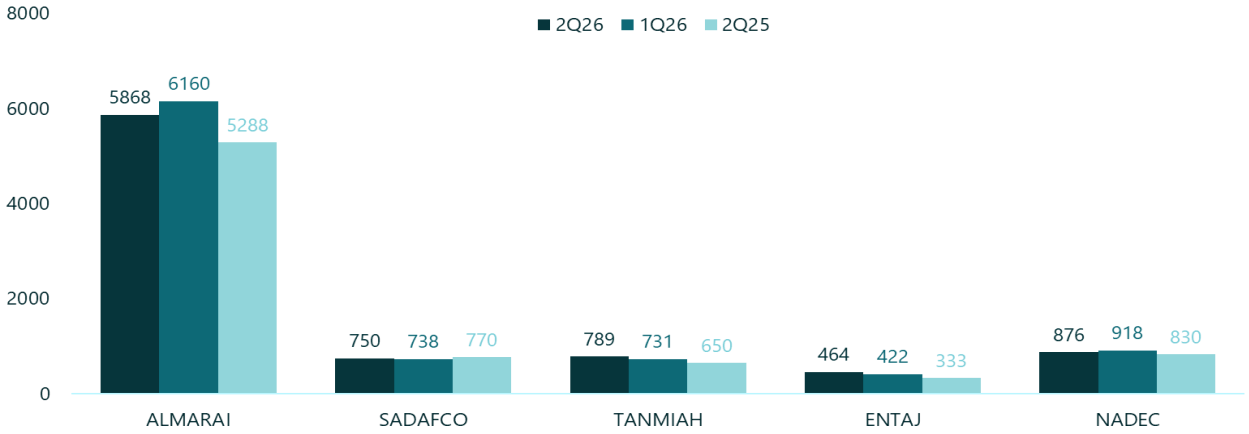
	Quarterly					Rolling 4 quarters		
SAR mn	2Q26	1Q26	2Q25	Q/Q	Y/Y	Jun-26	Jun-25	Y/Y
Total Revenue	**8,748**	**8,969**	**7,871**	**-2.5%**	**11.1%**	**33,887**	**31,230**	**8.5%**
Gross Profit	**2,571**	**2,613**	**2,530**	**-1.6%**	**1.7%**	**9,786**	**9,837**	**-0.5%**
Selling and marketing expenses	1,227	1,229	1,152	**-0.2%**	**6.5%**	**4,914**	**4,522**	**8.7%**
General and administrative expenses	293	283	277	**3.5%**	**5.6%**	**1,170**	**1,059**	**10.5%**
Operating expenses	1,520	1,512	1,430	0.5%	6.3%	6,085	5,581	9.0%
Operating profit	**1,036**	**1,098**	**1,101**	**-5.6%**	**-5.9%**	**3,826**	**4,138**	**-7.5%**
EBITDA	**1,886**	**1,920**	**1,898**	**-1.7%**	**-0.6%**	**7,221**	**7,267**	**-0.6%**
Finance costs	196	159	174	23.2%	12.2%	704	620	13.5%
Net Income attributable to equity holders	**797**	**905**	**900**	**-12.0%**	**-11.5%**	**2,981**	**3,791**	**-21.3%**
Gross margin	29.4%	29.1%	32.1%	25.7 bps	-274.3 bps	28.9%	31.5%	-262.2 bps
Operating margin	11.8%	12.2%	14.0%	-39.4 bps	-213.9 bps	11.3%	13.2%	-195.9 bps
EBITDA margin	21.6%	21.4%	24.1%	15.9 bps	-255.3 bps	21.3%	23.3%	-195.8 bps
Net margin	9.1%	10.1%	11.4%	-96.4 bps	-231.0 bps	8.8%	12.1%	-333.9 bps
Interest coverage	5.30x	6.92x	6.31x	-1.62x	-1.02x	5.44x	6.67x	-1.23x
Net debt/EBITDA	2.02x	1.89x	1.58x	0.14x	0.45x	2.12x	1.65x	0.47x

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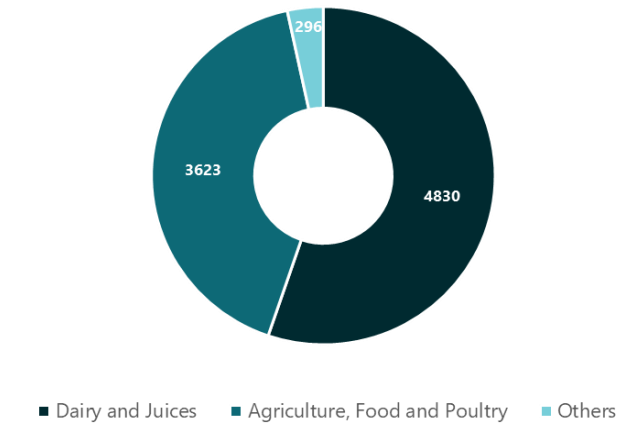
SECTOR REVENUE

Revenue growth clocked in at 11.1% Y/Y, driven by volume, product mix and pricing

Company-wise Revenue (SAR mn)



Sector Revenue Mix (SAR mn)



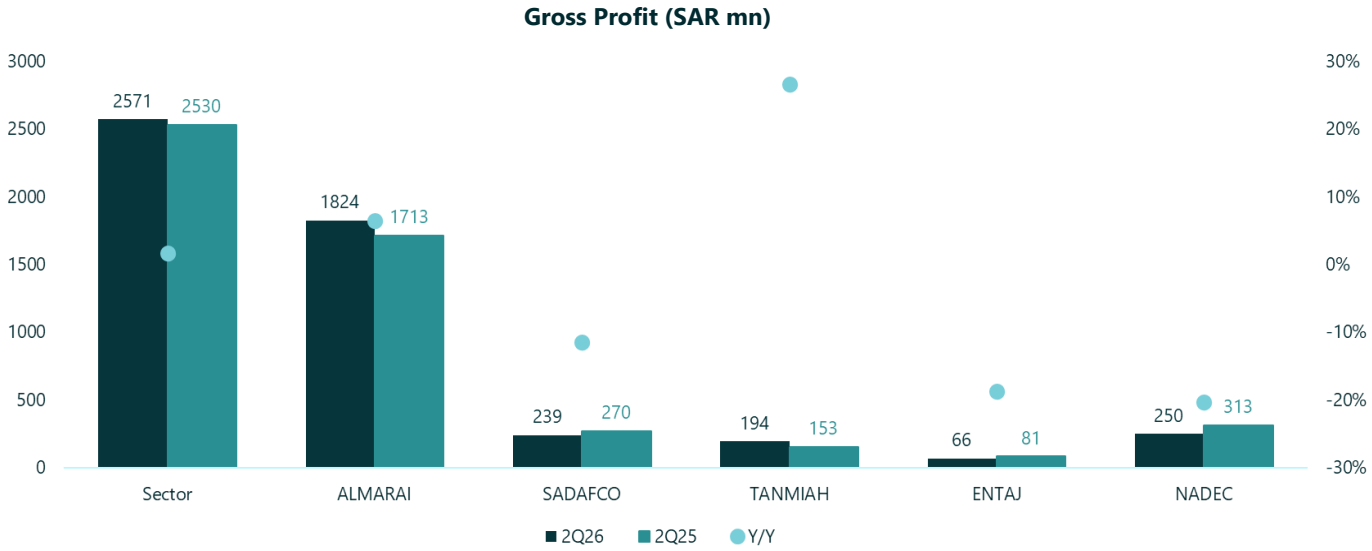
- Sector revenue rose 11.1% Y/Y to SAR 8.75bn. However, it fell 2.5% Q/Q from SAR 8.97bn as 1Q26's Ramadan and Eid seasonal peak unwinds. Entaj led growth at 39.4% Y/Y, though off a low base and driven by volumetric growth rather than price revision. Tanmiah followed at 21.5% Y/Y on better poultry pricing and volumetric growth in Animal Feed & Health, Almarai grew ~11.0% Y/Y with growth across all eight of its markets and a price increase within its dairy segment, and Nadec grew 5.5% Y/Y supported by Protein segment which doubled Y/Y and a 41% Y/Y growth in agriculture segment which more than offset a 3.7% Y/Y dip in its high base dairy and beverage segment. However, Sadafco was the only decliner on a headline basis, down 2.6% Y/Y, a result entirely attributable to lower Mlekoma sales, its Polish subsidiary, as output was deliberately redirected toward SMP production, rather than any slowdown in Sadafco's core Saudi business.

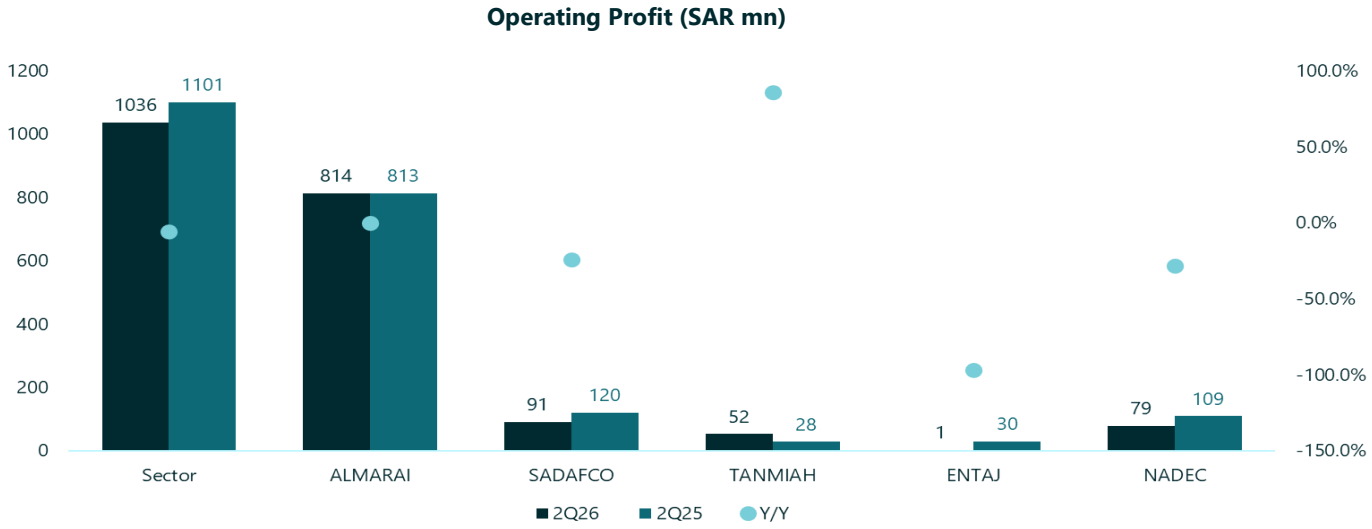
- Almarai's ~11% Y/Y growth rested on two levers. 1) A May'26 dairy price increase with no material demand pushback, since the price revision came during late 2Q26, its full run-rate benefit is expected from 3Q26 (although costs will likely increase as well due to higher input costs) and 2) A poultry volume ramp to 88mn birds, an annualised run-rate of 350mn, already exceeds the 330mn 2026 target set during 1Q26, with the apparent softness in realized price-per-bird explained by a shift toward food-service and export channels rather than price weakness. Tanmiah's Fresh Poultry revenue grew 17.5% Y/Y on higher volumes, stronger average selling prices delivered through its GCC distribution network following its Qatar entry, and value-added lines such as Taste Secrets, which grew 115% Y/Y. As per management, this pricing gain was company-specific rather than market-wide, with the real market strength sitting in frozen poultry on delayed imports, a segment Tanmiah is less exposed to. Sadafco's core revenue grew 6.9% Y/Y and 5.3% Q/Q (Excluding Mlekoma) on volume gains and emerging-channel momentum in out-of-home and e-commerce, while the consolidated revenue decline -2.6% Y/Y reflected a deliberate redirection of Mlekoma's Polish liquid and cream output toward SMP production, a strategic mix shift rather than demand weakness. Nadec's 5.5% Y/Y growth was driven by its low-base Protein and Agriculture segments, offsetting decline in its core segment as the company scales under its broader food-platform strategy. Entaj's revenue growth of 39.4% Y/Y (with poultry sales +31.8% Y/Y) was driven by capacity expansion even as prices faced pressure.

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GROSS AND OPERATING PROFITS

Sector Profitability Lags Revenue Growth, as Rising Input, Shipping and Oversupply Costs Outpace Pricing Gains





- Sector gross profit grew a modest ~2% Y/Y to SAR 2.57bn, trailing revenue growth of 11.1% Y/Y as margin compression across most companies offset the sector's top-line gains. Growth was led by Tanmiah, whose gross profit rose 26.6% Y/Y on higher poultry average selling prices and stronger added-value product margins, with gross margin also expanding 99bps Y/Y as revenue growth outpaced cost of sales. Almarai contributed the next-largest gain, with gross profit up 6.5% Y/Y on broad-based revenue growth across dairy, bakery and poultry, even as margin contracted 131bps Y/Y on higher dairy feed shipping and distribution costs. All other players saw gross profit decline as margin pressure mounted. Nadec and Entaj saw the sharpest declines, down 20.3% and 18.7% Y/Y respectively. Nadec's decline reflected a mix shift toward its lower-margin Protein and Agriculture segments compounded by higher cost of sales tied to regional shipping disruption, while Entaj's fall traced to industry-wide poultry oversupply as well as its capacity ramp-up, which pushed realized pricing down faster than cost of sales could adjust, cutting gross margin ~1,016bps Y/Y to 14.2%. Sadafco saw a decline of 11% Y/Y, as higher SMP and AMF input costs and maritime surcharges pressured its core beverage segment, a drag which was partly cushioned by Mlekoma's shift away from external liquid and cream sales toward producing SMP as an internal input for Sadafco's Saudi dairy operations.

- Sector operating profit dipped ~6% Y/Y as ~6% Y/Y opex growth and higher other expenses more than offset 2% Y/Y gross profit growth. Almarai reported flat operating profit despite 6.5% Y/Y gross profit growth, reflecting ~7% Y/Y opex growth and ~SAR 30mn ECL. Sadafco's operating profit fell 24.4% Y/Y, a steeper decline vs. gross profit, with opex-to-sales ratio of 19.7% (flat y/y). Tanmiah delivered the strongest operating profit growth in the sector at 85.7% Y/Y, supported by disciplined costs, with opex-to-sales improving to 18.1% (vs. 19.6% SPLY). On the flipside, Entaj's operating profit plunged 97.2% Y/Y, more severely than its gross profit dip owing to a surge in opex at ~18% Y/Y. NADEC's operating profit declined 28.2% Y/Y despite a SAR 32.8mn ECL reversal (Excluding this ECL reversal, operating profit would have declined 58% Y/Y).

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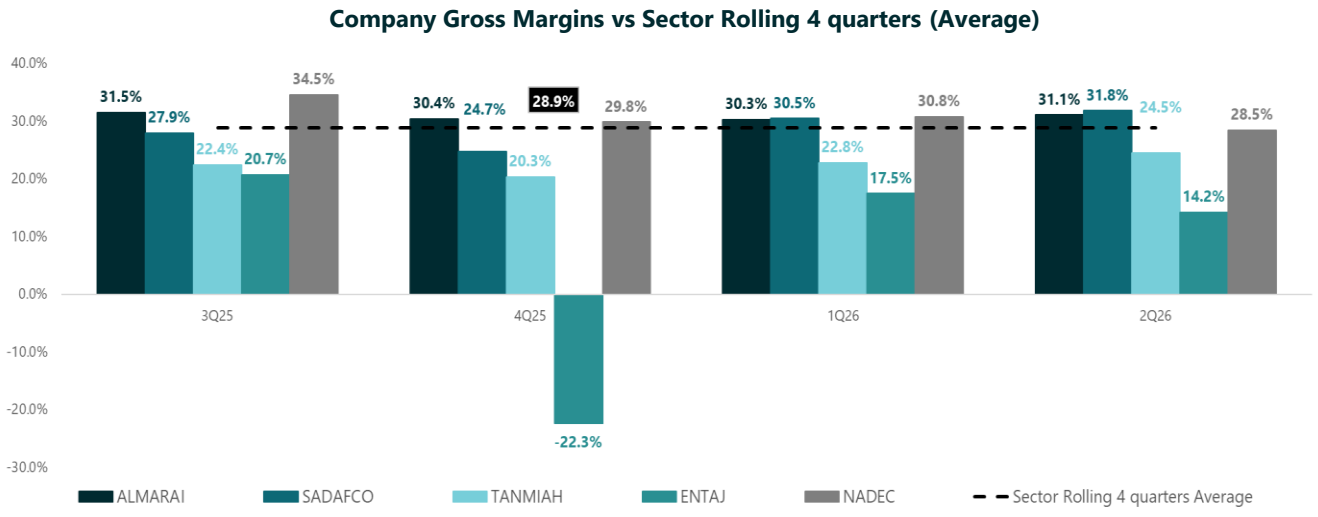
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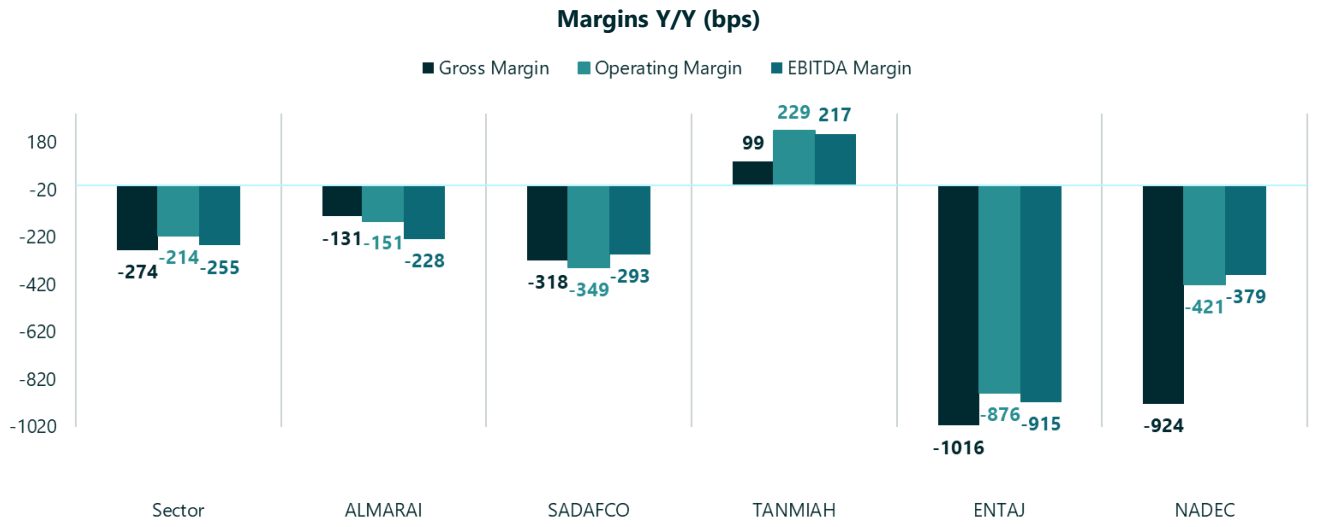
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PROFITABILITY MARGINS

Only Tanmiah expanded gross margin Y/Y; the rest of the sector is absorbing freight, feed and oversupply costs





- Sector gross margin fell 274bps Y/Y to 29.4%, broadly inline with the rolling 4-quarter sector average of 28.9%. However, Tanmiah is the only player which has expanded its gross margins both sequentially and on Y/Y basis, from 22.8% in 1Q26 to 24.5% during 2Q26 (+172bps Q/Q) and from 23.5% during SPLY (+99bps Y/Y), on higher poultry ASPs, cost discipline and a better channel mix, with higher projected utilization at newer facilities to further amplify margins going forward. On the contrary, Almarai (31.1%, down 131bps Y/Y) and Sadafco (31.8%, down 318bps Y/Y) both lost ground on rising input costs, though each showed a partial Q/Q offset. Almarai's decline reflected higher dairy feed shipping and distribution expenses, only partly offset by its late-quarter price increase, which produced a soft +79bps Q/Q recovery. Whereas, Sadafco's decline was driven by higher SMP and AMF costs and maritime surcharges. However, the +136bps Q/Q improvement can be attributed to a more favorable sales mix. On the flipside, Nadec and Entaj were the clear underperformers. Nadec's gross margin dropped 924bps Y/Y to 28.5%, driven by the same shipping-cost shock compounded by a mix shift toward its lower-margin Protein and Agriculture segments. Entaj's decline is the most severe in the sector, falling to 14.2% from 24.2% (-1016bps Y/Y), a direct continuation of the FY25 dynamic in which market-wide competition and poultry oversupply pushed realized pricing down faster than volume growth or cost efficiencies could offset, with 2Q26 cost of sales rising 58% Y/Y against only 40% revenue growth Y/Y.

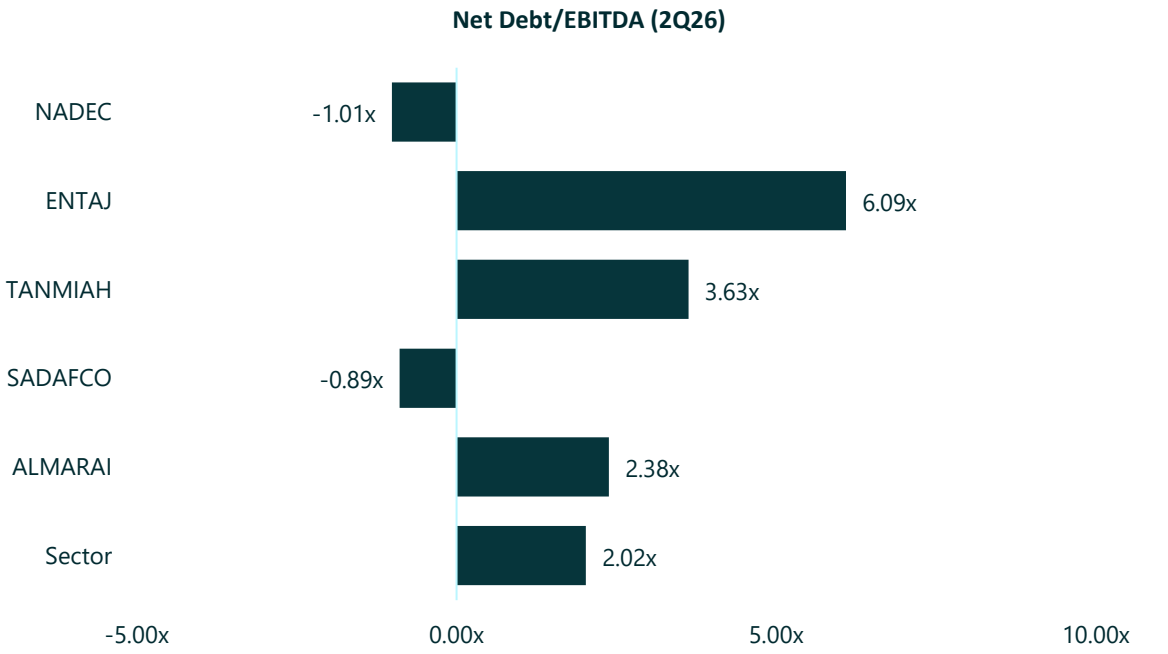
- Sector operating margin fell 214bps Y/Y to 11.8%, while EBITDA margin fell 255bps Y/Y to 21.6%, with performance diverging sharply across companies. Tanmiah led the sector, with EBITDA margin up 217bps Y/Y to 14.5% and operating margin up 229bps Y/Y to 6.6%, driven by poultry pricing gains, cost discipline and Popeyes reaching positive EBITDA during 2Q26. Conversely, Almarai's EBITDA margin fell 228bps Y/Y to 24.7% and operating margin fell 151bps Y/Y to 13.9%, as distribution, energy and ramp-up costs outpaced its pricing benefit. Sadafco's EBITDA margin fell 293bps Y/Y to 16.4%, along with a 349bps operating margin contraction, as the same raw-material and shipping cost inflation seen at the gross line flowed through into opex. Nadec's EBITDA margin fell 379bps Y/Y to 18.6% and net income fell 44% Y/Y to SAR 65mn. However, an ECL reversal coupled with an increase in other income Y/Y provided some respite. Distinct from every other player, Entaj's collapse was the most severe in the sector due to new capacity ramp-up alongside sector-wide pricing pressure as EBITDA margin fell 915bps Y/Y to 7.8%, operating margin fell to a near-breakeven 0.2% from 8.9% a year earlier, owing to the aforementioned pricing pressure coupled with an 18% Y/Y increase in opex alongside a step-up in finance costs to SAR 13.6mn tied to borrowing related to capacity expansion.

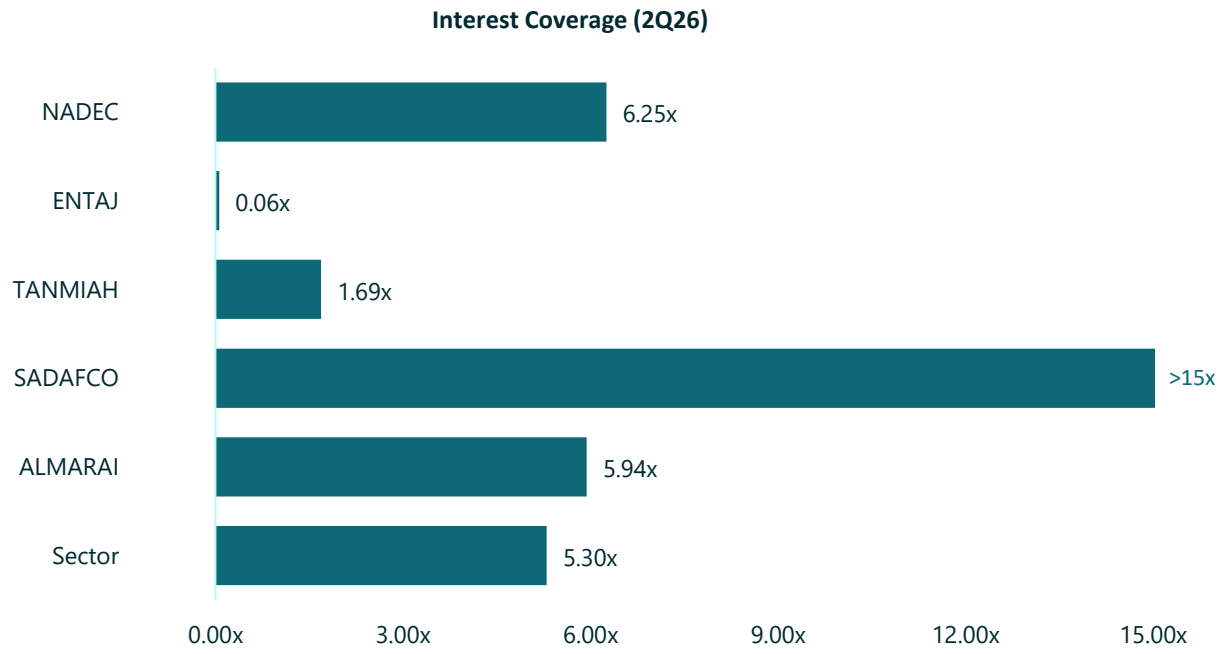
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SECTOR LEVERAGE

Entaj and Tanmiah carry the sector's capacity-expansion debt burden, while Sadafco and Nadec sit in a net-cash position





- Against the sector's 2.02x net debt/EBITDA (up from 1.59x a year ago) and 5.30x interest coverage (down from 6.21x), the spread across the five companies is attributable to expansion related debt for poultry players and Almarai. Sadafco (-0.89x) and Nadec (-1.01x) both sit in a net-cash position, with interest coverage on the higher side vs. sector average at 64.6x and 6.3x.
- Almarai sits mid-range at 2.46x net debt/EBITDA on a quarterly basis, with interest coverage of 5.94x. As per management, the ratio is seasonally elevated, since Almarai pays its annual dividend in the second quarter, and guided to a return towards normalization by December as capex is expected to be lower and free cashflow expected to turn positive by year end.
- Tanmiah and Entaj carry the sector's heaviest leverage, both tied to debt-funded capacity expansion. However, with markedly different debt-service capacity. Tanmiah's leverage stood at 3.63x, down from 5.12x during SPLY, with interest coverage of 1.69x improving as EBITDA scales and capex tapers (1H26 capex down 77% Y/Y). Entaj is the clear outlier, with net debt/EBITDA of 6.09x and interest coverage of less than 1, depicting the company is not generating enough EBITDA to service its debt, a direct consequence of the margin collapse. The same capacity-expansion programme that pushed leverage higher is now also shifting finance costs from capitalized assets to expenses.

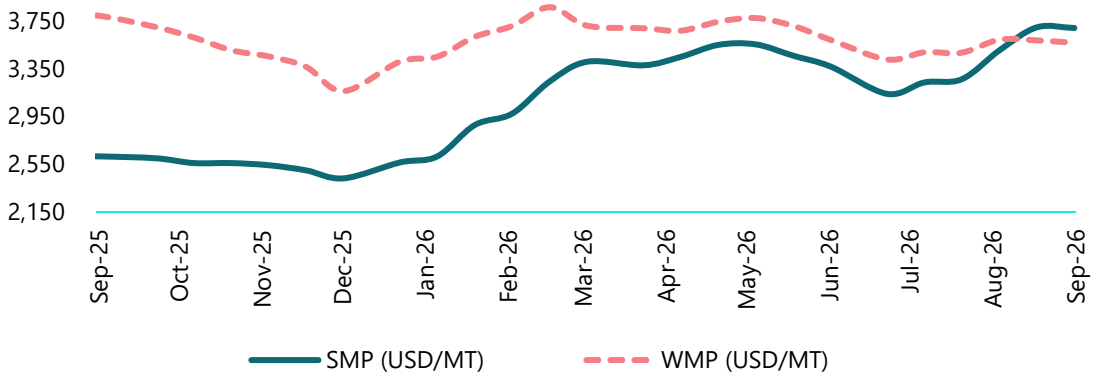
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Dairy and Poultry Feed Stock

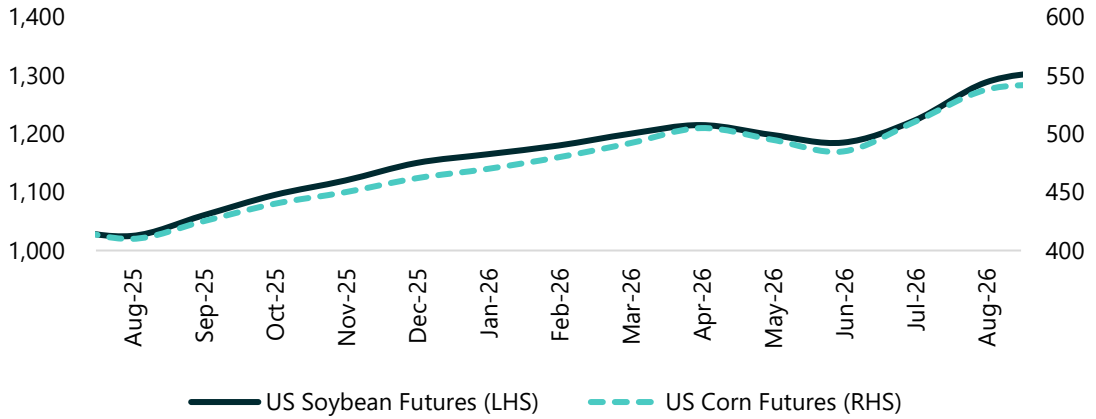
Rising Dairy and Poultry Inputs to Weigh On Margins

Skimmed Milk Powder (SMP) Trading at a Three-Year High



Source: Global Dairy Trade, Argaam

Rising Feed Input Impacting Major Poultry Players



Source: Investing.com

- SMP prices reached a three-year high during the month of September, averaging USD 3,458/MT for 2Q26 (up +23% Y/Y from 2Q25), making skimmed milk powder the key input-cost pressure for Sadafco, which relies on imported dairy powders and fats. Gross margin declined 318bps Y/Y to 31.8%, cushioned by older inventory; however, this buffer has been unwinding since June, increasing margin pressure through 3Q26–4Q26. At the sector level, gross margin fell 274bps Y/Y to 29.4% and net income declined 11.5% despite 11.1% revenue growth, as higher SMP, freight, war-risk insurance and maritime surcharges weighed on profitability.

- Soybean and corn prices rose 11% and 12% Q/Q, respectively, reaching around two-year highs during the month of September amid elevated freight and shipping costs. Ample alfalfa inventory cover cushioned the 2Q26 impact at both Almarai and Nadec; Almarai's long alfalfa inventory cover also delayed the impact of higher feed costs. However, higher-cost feed is expected to flow through in 3Q26 as existing stocks are consumed. Almarai's gross margin declined 131bps Y/Y to 31.1%, mainly reflecting higher dairy feed and shipping costs, while Nadec's margin fell 924bps to 28.5%, driven by feed, shipping and surcharges, alongside a less favorable mix toward lower-margin Protein and Agriculture.

- Poultry producers remain the most exposed to soybean and corn prices given feed is their largest cost. Tanmiah's gross margin rose 99bps Y/Y to 24.5%, primarily supported by company-specific pricing gains, while higher commodity costs were largely cushioned by inventory. However, rising grain prices are expected to increase feed-cost pressure going forward. Entaj's gross margin declined 998bps Y/Y to 14.2%, mainly due to industry oversupply and weaker pricing, with higher feed costs likely to add further pressure given limited pricing flexibility.

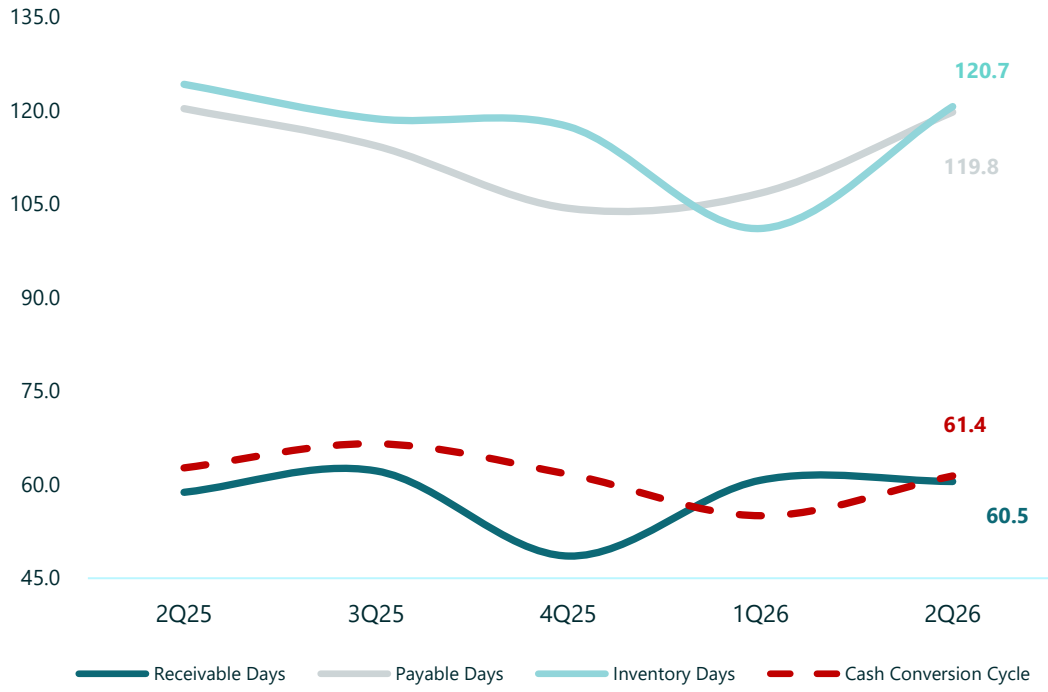
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CASH CONVERSION CYCLE AND WORKING CAPITAL

Inventory build for supply security and timing shifts in receivables and payables are the two forces driving the sector's cash cycle

- Sector cash conversion cycle shortened modestly to 61.4 days from 62.7 a year ago, as receivable days (60.5) and payable days (119.8) remained flat Y/Y, while inventory days fell to 120.7 from 124.2 but rose Q/Q as several companies build stock ahead of shipping disruption.
- Almarai's cash cycle clocked in at 81.6 days from 79.3, driven almost entirely by higher inventory cover for corn, soybean and alfalfa, raised from four to six months as a supply-security measure against Red Sea and Gulf routing disruption and port congestion. Sadafco's cash cycle reduced to 72.6 days from 80.5, with working capital down 27.6% Y/Y, consistent with the company holding less inventory than peers as it works through older inventory. Tanmiah's own working-capital-days metric improved to 86 days from 89, on tighter inventory management and improved collections even as grain purchases increased.
- Nadec swung the most sharply of the five, with its cash cycle extending from 4.0 days to 66.6 days, with receivable days rising to 71.7 from 53.3, while payable days falling sharply to 96.1 from 152.8.
- Entaj's cash cycle is turned negative, at -22.8 days versus +68.9 during SPLY. Receivable days improved to 52.1 from 59.9, while payable days stretched sharply to 108.9 from 65.3, possibly pointing towards weak operating cashflows that are resulting in payment delays to suppliers.

Sector Cash Conversion Cycle (Last 5 quarters)



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Almarai Co. (ALMARAI AB)

3Q26 Financials Review

Bloomberg	ALMARAI AB
Rating	BUY
Market Price	44.44
12-month Target Price	48.91
Upside / Downside	10.0%
Mkt Cap (SAR mn)	44,440
52 week High/Low	51.65/38.18



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Almarai Co. (ALMARAI) (BUY, TP: SAR 48.9) 3Q26 Results Review

Volumetric growth and stronger pricing lift revenue, but higher input, logistics and finance costs keep net income flat

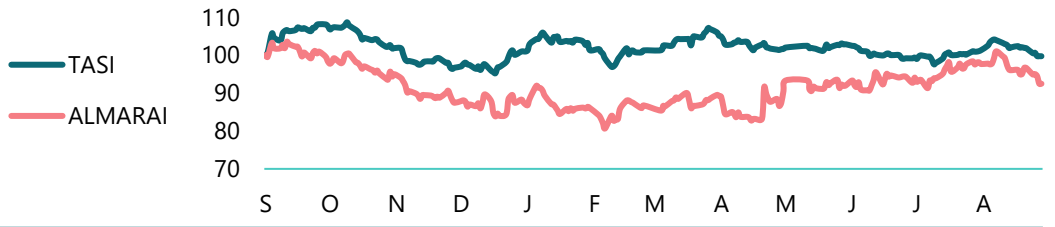
Despite ~11.4% Y/Y revenue growth to SAR 6.19bn in 3Q26, Almarai's net income rose only 0.7% Y/Y to SAR 618mn, as cost of goods sold (+14.3% Y/Y), higher Opex (+7.3%) and finance cost (+15.3% Y/Y) absorbed most of the topline gain. Gross margin contracted 178bps Y/Y to 29.7% and operating margin fell 105bps to 12.6%, even as operating profit grew 2.8% Y/Y to SAR 779mn. However, price revision implemented in late 2Q26 partly offset the rising input and freight cost pressure.

- Revenue growth was broad-based across all eight markets, led by KSA (65% of revenue, +11% Y/Y, +SAR 391mn) and Egypt (+25% Y/Y). By category, Protein grew 12% Y/Y to SAR 1.12bn on capacity expansion, Fresh Dairy (33% of revenue) grew 8%, and Fruit Juice grew 19% and Water rose 63%, driven by the acquisition consolidated in August 2025. On the profitability front, Dairy & Juice net profit rose 7% Y/Y to SAR 406mn and Bakery rose 13% to SAR 150mn, while Protein declined 2% to SAR 117mn (Net margin 11% vs 12% in 3Q25) on unfavorable market dynamics, higher distribution and ramp up costs. Almarai retained a high market share in all five KSA categories, with juice share rising to 50% from 45% by Dec-25.
- Gross margin contracted 178bps Y/Y to 29.7% in 3Q26 as cost of sales grew faster than revenue (+14.3% vs +11.4% Y/Y), reflecting higher feed and shipping costs. It's worth noting that corn and soybean prices reached roughly two-year highs in September and are now gradually feeding through the P&L, while alfalfa's higher inventory cover means higher-cost shipments will more gradually reflect in costs. Freight costs also rose materially, with war-risk insurance premiums, rather than base freight rates, accounting for 50-60% of the increase since the conflict began, prompting Almarai to lift raw-material inventory cover from four to six months as a supply-security measure.
- Despite gross profit increasing 5% Y/Y, operating profit grew only 2.8% Y/Y, weighed down by a 7.3% Y/Y rise in operating expenses, with S&D costs up 7.2% Y/Y on higher energy prices and administrative expenses rising 7.5% Y/Y.
- Finance costs rose 15.3% Y/Y to SAR 137mn in 3Q26 on a larger debt base, partly offset by lower funding rates. Net debt stood at SAR 13.47bn (+12.5% Y/Y), as borrowings rose to fund Almarai's capacity expansion program. The expansion is already supporting growth: Protein revenue rose 12% Y/Y on added capacity, and the Water business acquired last year contributed SAR 135mn of revenue (+63% Y/Y, largely inorganic).
- *Poultry production at an 88mn-bird quarterly run-rate should support revenue and profit through coming quarters as new capacity (red meat, seafood, expanded poultry) continues to come online from the group's cumulative SAR 18bn capex program. Growth capex is likely to continue over the coming 2-year period, and capex done so far (estimated at ~>60% of total growth capex) is generating returns via topline growth. However, input cost pressure is likely to increase as older inventory gets utilized, pressuring margins. While near term margin risks are pertinent, we favor Almarai as the better pick in the sector given the i) capex done so far is generating returns ii) diversified category and geographic exposure. We maintain BUY with a TP of SAR 48.9/sh.*

SAR mn	3Q26	2Q26	3Q25	Q/Q	Y/Y
Dairy and Juice	4,010	3,717	3,655	7.9%	9.7%
Bakery	792	747	702	6.0%	12.8%
Poultry	1,115	1,164	1,000	-4.2%	11.5%
Other Activities	270	240	195	12.4%	38.3%
Total Revenue	**6,187**	**5,868**	**5,553**	**5.4%**	**11.4%**
Gross Profit	**1,837**	**1,824**	**1,747**	**0.7%**	**5.1%**
Operating expenses	1,027	961	958	6.9%	7.3%
Operating profit	**779**	**814**	**757**	**-4.3%**	**2.8%**
EBITDA	**1,445**	**1,451**	**1,357**	**-0.4%**	**6.5%**
Finance costs	137	137	119	-0.1%	15.3%
Net Income	**618**	**636**	**613**	**-2.8%**	**0.7%**
EPS	0.62	0.64	0.61	-2.8%	0.7%
Gross margin	29.7%	31.1%	31.5%	-139 bps	-178 bps
Operating margin	12.6%	13.9%	13.6%	-128 bps	-106 bps
EBITDA margin	23.4%	24.7%	24.4%	-137 bps	-108 bps
Net margin	10.0%	10.8%	11.1%	-85 bps	-106 bps

Income Statement (SAR mn)	2025A	2026E	2027E	2028E
Revenue	22,065	24,182	26,062	27,707
EBITDA	5,564	6,012	6,535	7,282
Net Income	2,456	2,558	2,820	3,389
EPS	2.46	2.56	2.82	3.39
DPS	1.15	1.00	1.13	1.36
PER (x)	18.1	17.4	15.8	13.1
Dividend Yield (%)	2.6%	2.3%	2.5%	3.1%
Return on Equity	12.5%	12.0%	12.3%	13.6%

Price Chart



Rating and Risks

We are BUY rated on Almarai and our 12-month price target is SAR 48.9. Upside catalysts include faster pass-through of the dairy price increase and quicker easing of soybean, corn, alfalfa and freight costs. Whereas, downside risks include prolonged input cost pressure, further freight cost escalation, and further monetary tightening.

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Almarai Co. : Summary Financials

Income Statement (SAR mn)	2025A	2026E	2027E	2028E
Revenue	22,065	24,182	26,062	27,707
Gross Profit	6,888	7,292	8,016	8,722
Operating profit	**3,060**	**3,318**	**3,698**	**4,208**
EBITDA	**5,564**	**6,012**	**6,535**	**7,282**
Finance cost	463	539	699	604
Profit after tax	**2,456**	**2,558**	**2,820**	**3,389**
Net Income attr. to equity holders	**2,456**	**2,558**	**2,820**	**3,389**
EPS	2.46	2.56	2.82	3.39
DPS	1.15	1.00	1.13	1.36
PER (x)	18.1	17.4	15.8	13.1
Dividend Yield (%)	2.6%	2.3%	2.5%	3.1%

Ratios	2025A	2026E	2027E	2028E
Gross margin	31.2%	30.2%	30.8%	31.5%
Operating margin	13.9%	13.7%	14.2%	15.2%
EBITDA margin	25.2%	24.9%	25.1%	26.3%
Net margin	11.1%	10.6%	10.8%	12.2%
Return on equity	12.5%	12.0%	12.3%	13.6%
Interest coverage	6.60	6.16	5.29	6.96
Net debt/EBITDA	2.24	2.30	1.94	1.84
Debt to Assets	0.33	0.33	0.30	0.30

Balance Sheet	2025A	2026E	2027E	2028E
Total current assets	9,392	11,815	10,666	11,802
Total Fixed Assets	26,059	26,833	28,856	30,657
Total Assets	**39,967**	**43,261**	**44,132**	**47,128**
Short-term loans	1,520	1,974	1,810	1,908
Total current liabilities	**6,392**	**7,236**	**7,394**	**7,762**
Long Term loans	10,952	11,844	10,860	11,449
Total non-current liabilities	**13,048**	**13,940**	**12,963**	**13,562**
Total liabilities	**19,440**	**21,176**	**20,357**	**21,324**
Total Equity	20,527	22,085	23,775	25,804
Total liabilities and equity	**39,967**	**43,261**	**44,132**	**47,128**

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TASI

Saudia Dairy and Foodstuff Co. (SADAFCO AB)

2Q26 Financials Review

Bloomberg	SADAFCO AB
Rating	HOLD
Market Price	181.60
12-month Target Price	207.0
Upside / Downside	14.0%
Mkt Cap (SAR mn)	5,902.0
52 week High/Low	297.20/180.80

08 OCT 2026



Internal Use

Saudia Dairy and Foodstuff Co. (SADAFCO) (HOLD, TP: SAR 207.0) 2Q26 Results Review

Core business growth remains intact, but higher input costs, shipping surcharges and Mlekoma's redirection led to a weaker 2Q26

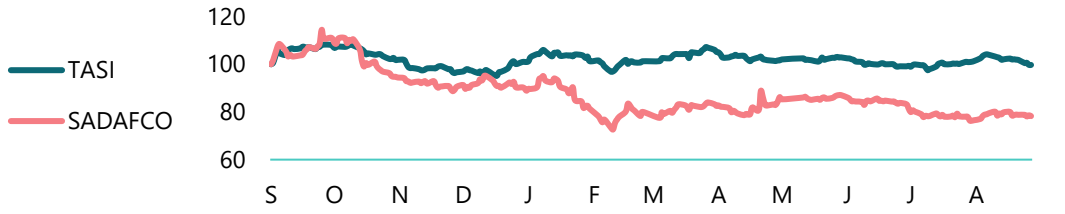
SADAFCO reported net income of SAR 88mn in 2Q26 (EPS SAR 2.76), down by 25% Y/Y, as lower Mlekoma revenues and input costs pressured bottomline. Revenue declined 2.6% Y/Y to SAR 750mn as Mlekoma revenue fell by ~51% Y/Y. Gross profit resultantly declined 11.5% Y/Y to SAR 239mn as gross margin contracted 318bps Y/Y to 31.8% on higher SMP and AMF input costs and maritime surcharges. Operating profit declined by 24.4% Y/Y to SAR 91mn as operating margin contracted 349bps Y/Y.

- Revenue fell 2.6% Y/Y to SAR 750mn, though this was entirely a Mlekoma effect: excluding the Polish subsidiary, core revenue grew at 6.9% Y/Y and 5.3% Q/Q on volume gains and continued momentum in out-of-home and e-commerce channels.
- At the segment level, Drinks fell 4.2% Y/Y and Non-Drinks fell a more modest 0.7% Y/Y, both dragged lower by Mlekoma sales. Mlekoma's own sales nearly halved to SAR 62mn from SAR 127mn, as management deliberately redirected its Polish liquid and cream output toward SMP production to support Saudi supply security, a strategic reallocation rather than a demand shortfall. It's worth noting, that competitors raised fresh milk prices by roughly 20% across May and June, while Sadafco held long-life milk prices steady and treated the resulting market share gain as the better trade-off.
- Gross margin came in at 31.8% in 2Q26 (-318bps Y/Y), as SMP prices, (at a ~3-year high), and elevated AMF costs pressured the cost base. On a Q/Q basis, however, gross margin rose 136bps, as core sales growth and a more favorable mix offset some of the cost pressure but this recovery is likely to prove temporary as older inventory, already in hand and in transit, kept the shipping surcharge largely out of cost of sales through 1Q26 and most of 2Q26. From June onward, higher-cost shipments begin flowing through directly, and gross margin is likely to deteriorate further across 3Q26 and 4Q26. Operating profit fell 24.4% Y/Y, a steeper decline than gross profit, as operating margin fell 349bps Y/Y to 12.1%, as opex-to-sales remained flat at ~19.7%. On a Q/Q basis, operating margin rose 74bps from 11.4% in 1Q26, tracking the same core-business volume recovery behind the Q/Q gross margin improvement.
- *Sadafco's balance sheet remains in a net cash position (with lease liabilities only), leaving it well placed to absorb near-term margin pressure. Gross margins are likely to remain under pressure through 2H26 as higher-cost shipments enter cost of sales. While passing through higher input costs should support margin recovery, management appears to be prioritizing long-life milk market share, holding prices steady despite competitors raising fresh milk prices by ~20% in May and June. While this can support revenue, the margin impact due to increasing raw material costs should reflect in 2H. We lower our TP by 14% given prolonged supply chain challenges and higher interest rates, and maintain HOLD.*

SAR mn	2Q26	1Q26	2Q25	Q/Q	Y/Y
Drinks	403	424	421	-4.9%	-4.2%
Non-Drinks	347	314	349	10.5%	-0.7%
Total Revenue	**750**	**738**	**770**	**1.7%**	**-2.6%**
Gross Profit	**239**	**225**	**270**	**6.2%**	**-11.5%**
Operating expenses	148	140	152	5.3%	-3.1%
Operating profit	**91**	**84**	**120**	**8.2%**	**-24.4%**
EBITDA	**123**	**116**	**149**	**6.2%**	**-17.4%**
Finance costs	1	1	2	20.3%	-36.9%
Net Income	**88**	**82**	**118**	**7.6%**	**-25.0%**
EPS	2.76	2.57	6.75	7.6%	-25.0%
Gross margin	31.8%	30.5%	35.0%	136 bps	-318 bps
Operating margin	12.1%	11.4%	15.6%	74 bps	-349 bps
EBITDA margin	16.4%	15.7%	19.3%	70 bps	-294 bps
Net margin	11.7%	11.1%	15.3%	62 bps	-359 bps

Income Statement (SAR mn)	2025A	2026E	2027E	2028E
Revenue	2,999	2,957	3,093	3,197
EBITDA	603	443	483	496
Net Income	477	298	351	353
EPS	14.92	9.34	11.00	11.10
DPS	16.00	6.62	7.79	8.97
PER (x)	12.2	19.4	16.5	16.4
Dividend Yield (%)	8.8%	3.6%	4.3%	4.9%
Return on Equity	27.3%	18.0%	21.6%	20.6%

Price Chart



Rating and Risks

We are HOLD rated on Sadafco and our 12-month price target is SAR 207.0. Upside catalysts include faster-than-expected recovery of supply chains and further long-life milk market share gains as competitors hold higher fresh milk pricing. Whereas, downside risks include prolonged SMP and AMF cost inflation, further shipping surcharge escalation from 3Q26 onward, and continued Mlekoma revenue drag.

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Internal Use

Saudia Dairy and Foodstuff Co. : Summary Financials

Income Statement (SAR mn)	2025A	2026E	2027E	2028E
Revenue	2,999	2,957	3,093	3,197
Gross Profit	934	876	969	1,000
Operating profit	**484**	**310**	**349**	**360**
EBITDA	**603**	**443**	**483**	**496**
Finance cost	4	9	10	10
Profit after tax	**477**	**298**	**351**	**353**
Net Income attr. to equity holders	**477**	**298**	**351**	**353**
EPS	14.92	9.34	11.00	11.10
DPS	16.00	6.62	7.79	8.97
PER (x)	12.2	19.4	16.5	16.4
Dividend Yield (%)	8.8%	3.6%	4.3%	4.9%

Ratios	2025A	2026E	2027E	2028E
Gross margin	31.1%	29.6%	31.3%	31.3%
Operating margin	16.1%	10.5%	11.3%	11.3%
EBITDA margin	20.1%	15.0%	15.6%	15.5%
Net margin	15.9%	10.1%	11.3%	11.0%
Return on equity	27.3%	18.0%	21.6%	20.6%
Debt to Equity	0.14	0.17	0.17	0.17
Debt to Assets	0.09	0.11	0.11	0.11

Balance Sheet	2025A	2026E	2027E	2028E
Total current assets	1,511	1,364	1,468	1,554
Total Fixed Assets	1,032	1,046	1,066	1,087
Total Assets	**2,690**	**2,557**	**2,682**	**2,787**
Short-term loans	-	-	-	-
Total current liabilities	**718**	**724**	**736**	**759**
Long Term loans	-	-	-	-
Total non-current liabilities	**229**	**260**	**267**	**278**
Total liabilities	**947**	**983**	**1,003**	**1,037**
Total Equity	1,743	1,574	1,679	1,750
Total liabilities and equity	**2,690**	**2,557**	**2,682**	**2,787**

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Internal Use

BSF Capital

TASI

Tanmiah Food Co. (TANMIAH AB)

2Q26 Financials Review

Bloomberg	TANMIAH AB
Rating	HOLD
Market Price	55.80
12-month Target Price	79.38
Upside / Downside	42.3%
Mkt Cap (SAR mn)	1,116.0
52 week High/Low	85.80/44.60



08 OCT 2026

Internal Use

Tanmiah Food Co. (TANMIAH) (HOLD, TP: SAR 79.4) 2Q26 Results Review

Poultry pricing from value-added products and an early Popeyes break-even deliver bottom-line recovery

TANMIAH's net income clocked in at SAR 19mn in 2Q26 (EPS SAR 0.95) after three consecutive quarterly losses, marking an earnings inflection for Tanmiah, driven by revenue growth of 21.5% Y/Y to SAR 789mn and gross margin expansion of 99bps Y/Y to 24.5%. The turnaround was driven by poultry pricing gains, disciplined cost control, and Popeyes reaching positive EBITDA this quarter.

- Revenue growth came in at 21.5% Y/Y, led by Fresh Poultry, which grew 17.5% Y/Y on higher volumes and improved average selling prices. Sales also benefited from wider distribution across more than 20 KSA branches and the company's entry into Qatar's retail market. Animal Feed and Health Products was the fastest-growing Agribusiness line, supported by restructuring and a greater focus on higher-margin products. Fresh Poultry volumes increased 6% Y/Y to 42.3mn birds in 2Q26 (vs 39.9mn birds in 2Q25). However, production remains below the company's 795K birds/day installed capacity, with average daily production at 604K birds in 1H26. The new mega hatchery and feed mill are scheduled to come online in 3Q26, supporting further utilization of existing processing capacity.
- Tanmiah was the only player which exhibited gross margin expansion (+99bps Y/Y) and improved the highest on a sequential basis in the sector (+172bps Q/Q) driven by higher poultry ASPs (broader fresh poultry prices up only around 2%), cost discipline and a better channel mix which are further projected to improve in the coming quarters as utilization of hatchery and feed mills ramp up. This would be offset however by higher input costs that will likely reflect in margins 3Q26 onwards.
- Operating profit rose 85.7% Y/Y to SAR 52mn, aided by an already low base of SAR 28mn a year earlier as well as better cost control, with opex-to-sales improving to 18.1% from 19.6% in 2Q25, pushing operating margin up 229bps Y/Y to 6.6%. This outpaced the 26.6% Y/Y gross profit growth exhibiting a high operating leverage as poultry pricing gains flowed through with limited incremental cost. Sequentially, operating margin also improved 272bps Q/Q, tracking the same cost discipline that drove the Q/Q gross margin gain.
- Net profit reached SAR 19mn in 2Q26, ending three consecutive quarters of losses, driven by the same gross margin expansion (+99bps Y/Y and +172bps Q/Q) and operating cost discipline discussed above. However, finance cost remained a meaningful drag, rising 25.6% Y/Y to SAR 31mn as debt tied to Tanmiah's capacity-expansion program continued to weigh on the profitability, keeping net margin at a meagre 2.9%, up from just 0.4% a year earlier. The improvement in profitability is beginning to outpace the leverage build, but financing costs remain the key drag on net income growth.
- *The fresh poultry market is yet to see meaningful price recovery, as government initiatives to address oversupply will take more time to materialize; the Saudi GAP grace period for foreign poultry suppliers has been extended by another year. Volumes can potentially see uplift with new capacity coming online in 2H26 however margins are likely to come under pressure vs. 2Q given input cost pressure is likely to reflect in COGS. Capacity-driven volumes and improvement in Popeyes bottomline will remain near term profitability drivers, however we expect margin pressure to offset the impact in 2H26. Broader market-based pricing recovery appears to be further out in the future while the prolonged supply chain disruption poses more near-term risks, which would be further compounded by monetary tightening. We lower our TP by 13% and downgrade the stock to HOLD reflecting input cost pressure, a longer recovery period for market pricing and higher interest rates.*

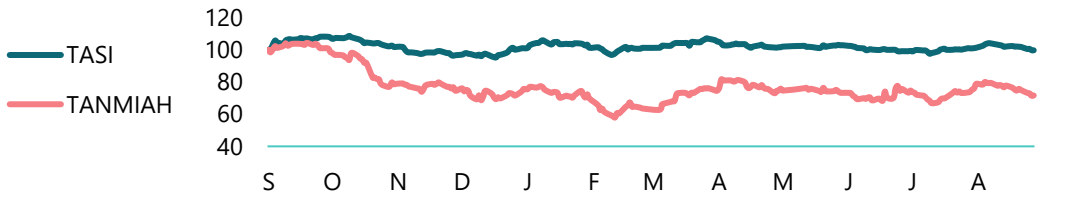
Rating and Risks

We are HOLD rated on Tanmiah and our 12-month price target is SAR 79.4. Upside catalysts include continued poultry pricing execution and new market gains, faster utilization ramp-up at the new mega hatchery and feed mill, and Popeyes scaling toward profitability ahead of schedule. Whereas, downside risks include a reversal of company-specific pricing gains if broader poultry market pricing softens, delays in new capacity commissioning, and continued elevated finance costs weighing on net income as leverage remains high.

SAR mn	2Q26	1Q26	2Q25	Q/Q	Y/Y
Poultry, food and agriculture	734	669	605	9.6%	21.3%
Resturants outlets	64	62	52	3.1%	23.1%
Others	0	0	0	n.m	n.m
Elimination	-8	0	-7	n.m	14.3%
Total Revenue	**789**	**731**	**650**	**7.9%**	**21.5%**
Gross Profit	**194**	**167**	**153**	**16.1%**	**26.6%**
Operating expenses	143	141	127	1.4%	12.3%
Operating profit	**52**	**29**	**28**	**83.3%**	**85.7%**
EBITDA	**114**	**87**	**80**	**31.2%**	**42.9%**
Finance costs	31	29	25	7.8%	25.6%
Net Income	**19**	**-1**	**0**	**n.m.**	**n.m.**
EPS	0.95	-0.06	0.02	n.m.	n.m.
Gross margin	24.5%	22.8%	23.5%	172 bps	99 bps
Operating margin	6.6%	3.9%	4.3%	272 bps	229 bps
EBITDA margin	14.5%	11.9%	12.3%	257 bps	217 bps
Net margin	2.9%	0.1%	0.4%	271 bps	248 bps

Income Statement (SAR mn)	2025A	2026E	2027E	2028E
Revenue	2,653	3,146	3,848	4,197
EBITDA	308	435	493	495
Net Income	-19	37	68	77
EPS	-0.94	1.84	3.41	3.87
DPS	0.00	0.00	1.21	1.38
PER (x)	n/a	30.3	16.4	14.4
Dividend Yield (%)	0.0%	0.0%	2.2%	2.5%
Return on Equity	-2.0%	5.9%	10.1%	10.5%

Price Chart



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Internal Use

Tanmiah Food Co. : Summary Financials

Income Statement (SAR mn)	2025A	2026E	2027E	2028E
Revenue	2,653	3,146	3,848	4,197
Gross Profit	604	703	892	988
Operating profit	**94**	**160**	**219**	**217**
EBITDA	**308**	**435**	**493**	**495**
Finance cost	108	119	139	125
Profit after tax	**-15**	**44**	**81**	**92**
Net Income attr. to equity holders	**-19**	**37**	**68**	**77**
EPS	-0.94	1.84	3.41	3.87
DPS	0.00	0.00	1.21	1.38
PER (x)	n/a	31.3	16.8	14.8
Dividend Yield (%)	0.0%	0.0%	2.1%	2.3%

Balance Sheet	2025A	2026E	2027E	2028E
Total current assets	1,257	1,493	1,942	2,041
Total Fixed Assets	1,129	1,039	1,075	1,063
Total Assets	**3,161**	**3,464**	**3,954**	**4,089**
Short-term loans	459	432	423	390
Total current liabilities	**1,164**	**1,235**	**1,407**	**1,453**
Long Term loans	585	584	638	588
Total non-current liabilities	**1,286**	**1,466**	**1,715**	**1,726**
Total liabilities	**2,450**	**2,701**	**3,122**	**3,179**
Total Equity	712	762	832	910
Total liabilities and equity	**3,161**	**3,464**	**3,954**	**4,089**

Ratios	2025A	2026E	2027E	2028E
Gross margin	22.8%	22.3%	23.2%	23.5%
Operating margin	3.5%	5.1%	5.7%	5.2%
EBITDA margin	11.6%	13.8%	12.8%	11.8%
Net margin	-0.6%	1.4%	2.1%	2.2%
Return on equity	-2.0%	5.9%	10.1%	10.5%
Interest coverage	0.87	1.34	1.58	1.74
Debt to Assets	0.55	0.55	0.55	0.53

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Internal Use

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TASI

National Agricultural Development Co. (NADEC AB)

2Q26 Financials Review

Bloomberg	NADEC AB
Rating	HOLD
Market Price	13.40
12-month Target Price	14.6
Upside / Downside	9.0%
Mkt Cap (SAR mn)	4,042.0
52 week High/Low	22.36/13.30

08 OCT 2026



Internal Use

National Agricultural Development Co. (NADEC) (HOLD, TP: SAR 14.6) 2Q26 Results Review

Regional shipping disruption, higher feed cost and a lower-margin segment mix weigh on profitability

Despite 5.5% Y/Y revenue growth to SAR 876mn in 2Q26, Nadec's net income fell 44.0% Y/Y to SAR 65mn (EPS SAR 0.21), as gross margin contracted 924bps Y/Y to 28.5% driven by regional shipping disruption, higher feed costs and a mix shift toward lower-margin segments. That mix shift was the structural driver as Protein and Agriculture, both are inherently lower-margin than core dairy, grew nearly 1.8x on combined basis, diluting group profitability even as they drove the topline gain.

- Revenue growth of 5.5% Y/Y to SAR 876mn was driven almost entirely by Nadec's newer growth segments, with Protein revenue nearly doubling Y/Y to SAR 118mn and Agriculture up 41% Y/Y to SAR 49mn, both scaling under the company's broader food-platform strategy, which includes a Hilton Foods joint venture and a Haradh slaughterhouse ramping toward packaged red meat launches by year-end. This offset a 3.7% Y/Y decline in the high base, legacy Dairy, Beverages and Food segment to SAR 710mn owing to market competition, which also fell 9.8% Q/Q as 1Q26's Ramadan-driven demand unwound. With Protein and Agriculture still a small base relative to core Dairy, their high growth was enough to move the group total, but not yet enough to offset the seasonal step-down in the company's largest segment on an absolute basis.
- Nadec's gross margin fell to 28.5% from 37.7% during SPLY (-924bps Y/Y), the second highest Y/Y drop in the sector after Entaj. The drop reflects two compounding forces: higher cost of sales tied to regional shipping disruption, which raised feed related costs sector-wide, and a structural mix shift toward Protein and Agriculture, both are inherently lower-margin than core dairy segment. The two are unlikely to persist on the same trajectory: while the shipping-cost pressure is tied to current geopolitics, the mix-driven dilution should continue as these segments keep scaling under Nadec's broader food-platform strategy.
- Operating profit fell 28.2% Y/Y to SAR 79mn (-421bps Y/Y) while EBITDA fell 12.3% Y/Y to SAR 163mn (-379bps Y/Y) driven by a contraction in gross margins despite a controlled opex to sales ratio of 23.6% (vs 24.3% during SPLY), reversal in ECL of SAR 33mn coupled with a rise in other income Y/Y.
- Net profitability fell 44% Y/Y to SAR 65mn driven by the 924bps gross margin drop Y/Y, which pulled operating profit down 28.2% Y/Y to SAR 79mn. Below the operating line, a SAR 9mn share of loss from Nadec's joint venture and lower finance income Y/Y owing to a drop in overall cash position, added further pressure. Net margin fell to 7.4% from 13.9% a year earlier, (-651bps Y/Y).
- *Nadec continues to invest in its next growth phase, with the Haradh slaughterhouse and a Hilton Foods joint venture progressing toward packaged red meat launches across major retail channels by year-end, expanding the Protein platform that is currently the largest driver of both revenue growth and margin dilution. However, the core business is exposed to risks on the demand side as well as supply side - where increasing competition in the dairy business is impacting revenue growth while input cost and shipping disruptions are pressurizing margins. Fresh dairy pricing increase is helping offset the pressures partially however we believe the margin impact is more likely to intensify in coming quarter especially as the shipping situation has not seen material improvement. This, alongside topline slowdown in dairy would likely keep earnings under pressure. Maintain HOLD while we lower our TP to SAR 14.6/sh given margin pressure expectation, topline pressure and higher interest rates.*

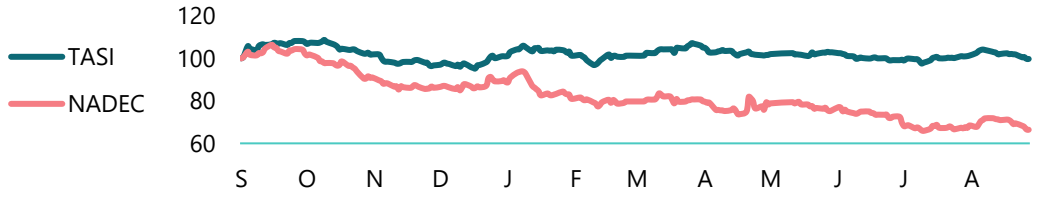
Rating and Risks

We are HOLD rated on Nadec and our 12-month price target is SAR 14.6. Upside catalysts include faster normalization of shipping and feed-related costs and recovery in dairy revenue owing to volume or price increases. Whereas, downside risks include prolonged regional conflict driving further shipping cost escalation, and continued competition in dairy.

SAR mn	2Q26	1Q26	2Q25	Q/Q	Y/Y
Dairy and Beverages/Food	710	787	737	-9.8%	-3.7%
Agriculture	49	7	35	557.5%	41.0%
Protein	118	124	59	-4.6%	99.2%
Total Revenue	**876**	**918**	**830**	**-4.5%**	**5.5%**
Gross Profit	**250**	**282**	**313**	**-11.6%**	**-20.3%**
Operating expenses	206	215	201	-3.9%	2.5%
Operating profit	**79**	**98**	**109**	**-19.4%**	**-28.2%**
EBITDA	**163**	**179**	**186**	**-9.0%**	**-12.3%**
Finance costs	13	9	13	33.1%	-0.3%
Net Income	**65**	**94**	**115**	**-31.1%**	**-44.0%**
EPS	0.21	0.31	0.38	-31.1%	-44.0%
Gross margin	28.5%	30.8%	37.7%	-229 bps	-924 bps
Operating margin	9.0%	10.6%	13.2%	-166 bps	-421 bps
EBITDA margin	18.6%	19.5%	22.4%	-91 bps	-379 bps
Net margin	7.4%	10.2%	13.9%	-284 bps	-651 bps

Income Statement (SAR mn)	2025A	2026E	2027E	2028E
Revenue	3,527	3,663	3,969	4,184
EBITDA	681	627	681	758
Net Income attributable to equity holders	393	245	250	301
EPS	1.30	0.81	0.74	0.95
DPS	0.00	0.00	0.00	0.00
PER (x)	10.3	16.5	18.1	14.1
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Return on Equity	8.8%	5.2%	5.0%	5.7%

Price Chart



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National Agricultural Development Co. : Summary Financials

Income Statement (SAR mn)	2025A	2026E	2027E	2028E
Revenue	3,527	3,663	3,969	4,184
Gross Profit	1,181	1,080	1,197	1,303
Operating profit	**377**	**288**	**283**	**338**
EBITDA	**681**	**627**	**681**	**758**
Finance cost	36	44	30	29
Profit after tax	**393**	**245**	**250**	**301**
Net Income attr. to equity holders	**393**	**245**	**250**	**301**
EPS	1.30	0.81	0.74	0.95
DPS	0.00	0.00	0.00	0.00
PER (x)	10.3	16.5	18.1	14.1
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%

Balance Sheet	2025A	2026E	2027E	2028E
Total current assets	2,935	2,920	3,017	3,133
Total Fixed Assets	2,936	3,193	3,388	3,587
Total Assets	**6,334**	**6,584**	**6,882**	**7,202**
Short-term loans	194	178	197	207
Total current liabilities	**1,254**	**1,295**	**1,370**	**1,408**
Long Term loans	47	37	28	20
Total non-current liabilities	**471**	**435**	**408**	**389**
Total liabilities	**1,726**	**1,731**	**1,779**	**1,798**
Total Equity	4,608	4,853	5,103	5,404
Total liabilities and equity	**6,334**	**6,584**	**6,882**	**7,202**

Ratios	2025A	2026E	2027E	2028E
Gross margin	33.5%	29.5%	30.2%	31.2%
Operating margin	10.7%	7.9%	7.1%	8.1%
EBITDA margin	19.3%	17.1%	17.2%	18.1%
Net margin	11.2%	6.7%	6.3%	7.2%
Return on equity	8.8%	5.2%	5.0%	5.7%
Interest coverage	10.43	6.5	9.3	11.8
Debt to Assets	0.09	0.07	0.07	0.06

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Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

BSF Capital
(Closed Joint Stock Company Owned by BSF)

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