

**Target Price: SAR 59/share**  
Current Price: SAR 47.92/share  
Upside: 23% (+Div. Yield: 4.0%)  
**Rating: Overweight**

## Alamar Food Company (Alamar)

### Weaker-than-expected revenue per store; Revise TP

- Strengthening the KSA operations by signing a deal to acquire 29 sub-franchised stores with promising potential for profitability profile in line with Alamar's Saudi branches (+20% EBITDA).
- We expect moderate growth to resume in 2H25, aided by higher store roll-out, however, revenue per corporate store is expected to remain under pressure.
- Post revision in our estimates and rolling forward our valuation, we revise our TP to SAR59/share and maintain an Overweight rating.

#### Stock data

TASI ticker	6014
Mcap (SARmn)	1,222
Trd. Val (3m) (SARmn)	5.6
Free float	42.2%
QFI holding	5.0%
TASI FF weight	0.02%

Source: Bloomberg

#### Alamar vs TASI indexed to 100



Source: Bloomberg

**Strengthening presence in KSA by sub-franchisee branch acquisition:** Alamar has signed a binding offer to acquire the assets and operations of 29 Domino's Pizza branches (operating under a sub-franchise agreement) in Makkah (18) and Taif (11) for SAR40mn (~SAR1.38mn per branch). This will be funded through internal cash and bank facilities. These outlets demonstrate promising potential for profitability to normalize in line with other Saudi outlets operated by Alamar, with EBITDA of +20%. Converting these stores to direct ownership will enable Alamar to i) streamline KSA operations and unify service, promotions, and pricing ii) unlock new growth opportunities through first time listing on aggregator platforms, iii) integrate digital platforms and enable loyalty programs. iv) strengthen presence in key tourism hubs where Mecca welcomes millions of Umrah and Hajj pilgrims annually, while Taif serves as a popular summer retreat. The deal should be earnings-accretive and may start contributing from 4Q25, with full aggregator channel contribution likely by 1Q26.

**Stage for stronger openings...** In 1H25, Alamar's corporate store network expanded to 549 locations, up 4.6% y/y, with 24 net new openings. On the other hand, non-corporate (sub-franchise) stores grew 1.8% y/y, adding only 3 new stores in Pakistan and reaching 170 stores prior to the latest acquisition- a positive development given that non-corporate expansion had been on hold since 4Q23. Looking ahead, store rollout momentum is set to accelerate in 2H25, with 25 more new corporate openings estimated (vs. guidance of +40, excluding the 29 branches to be acquired), supported by a pipeline of 17 sites under construction and 10 under review. Furthermore, Alamar is advancing its relocation strategy, having completed 6 relocations in 2Q25, with another 6 scheduled for completion in 2H25.

Figure 1: Key financial metrics

SARmn	2023a	2024a	2025e	2026e	2027e
Revenue	992	892	930	1,005	1,087
Revenue growth	-8%	-10%	4%	8%	8%
Gross Profit	293	258	272	294	332
Gross Profit margin	30%	29%	29%	29%	31%
EBITDA*	201	159	169	191	220
EBITDA margin*	20%	18%	18%	19%	20%
Net profit	57	35	43	57	77
Net profit margin	6%	4%	5%	6%	7%
EPS (SAR)	2.3	1.5	1.8	2.4	3.2
DPS	2.1	2.1	1.8	1.9	2.0
P/E	21.1x	31.9x	26.5x	20.2x	15.0x

Source: Company, GIB Capital \*Adjusted IFRS 16

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**...by adapting to market changes...** In response to evolving market dynamics and a continuous shift towards the aggregators' channel (rising to 38% in 1H25 from 32% in 1H24), Alamar is shifting to smaller format stores in less premium locations with lower rents. This strategy both aligns with changing consumer behavior and helps offset the rising costs associated with aggregators' high fees. We conservatively project a CAGR of 8% of new corporate stores between 2025-27e, compared to management's guidance of 11-13% CAGR. This cautious forecast considers current market conditions and anticipates steady new store performance.

**... with revenue per store is likely to improve gradually, but it may remain below the historical levels:** Despite a healthy store openings, the recovery in revenue per corporate store remain slower than expected (1H25: 6% lower than our estimates and 18% lower compared to 1H23 – pre-boycott level), mainly due to weak regional market dynamics, slower-than-expected ramp up of newly opened stores, and intensifying competition in Saudi Arabia—where Alamar operates 293 outlets prior to the latest acquisition (contributing 66.4% of total revenue and 53% of corporate stores). Going forward, on a conservative basis, we expect revenue per corporate store to remain broadly stable in the near to medium term (vs. our earlier expectation of ~4% CAGR over 2025-27e, which was in line with the guidance given in early 2024) and may stay below historical levels. Nonetheless, with a healthy pipeline of store openings, we see Alamar closing the revenue gap between 2H25 and 2H23 as targeted, supported by corporate store expansion and a likely rebound in North Africa. Overall, we expect the top-line to grow at a CAGR of ~7% over 2024- 27e, lower than our previous forecast of ~11%.

Further, we believe that the management's efficiency initiatives in cost reduction (as evidenced by a 42% reduction in cost per order in 2Q25 compared to 1Q24 -excluding delivery/aggregators costs), coupled with stable raw material prices, are expected to support profitability, in our view. Consequently, we project an average adjusted EBITDA margin of 19%, at the lower end of management's guidance range of 19–21%, supported by continued operational discipline, resulting in an earnings CAGR of ~30% over 2024-27e.

**Recap of 2Q25 results:** Alamar reported revenue of SAR237mn for 2Q25, up 4.5% y/y, in line with our SAR231mn estimate. The y/y growth was attributed to Domino's growth by 2.9%, and Dunkin's growth of 33.8% y/y; both are benefiting from successful marketing initiatives, ongoing service improvements, and a favorable Ramadan calendar comparison. Further, gross profit grew 2.6%y/y to SAR71mn, broadly in line, while operating profit rose 1.9%y/y to SAR19mn, thanks to disciplined cost control measures. Finally, net profit climbed 16.7% to SAR15mn, slightly higher than our SAR13mn estimates on a lower than expected tax/zakat cost.

Figure 2: 2Q25 results summary

SARmn	2Q25	2Q24	y/y %	1Q25	q/q %	GIBCe	Variance %
<b>Revenues</b>	<b>237</b>	<b>226</b>	<b>4.5%</b>	<b>211</b>	<b>12.1%</b>	<b>231</b>	<b>2.3%</b>
Cost of sales	166	158	5.3%	156	6.6%	164	1.1%
<b>Gross profit</b>	<b>71</b>	<b>69</b>	<b>2.6%</b>	<b>55</b>	<b>27.6%</b>	<b>67</b>	<b>5.4%</b>
Opex	51	50	2.9%	52	-0.7%	49	5.4%
<b>Operating profit</b>	<b>19</b>	<b>19</b>	<b>1.9%</b>	<b>4</b>	<b>436.5%</b>	<b>18</b>	<b>5.1%</b>
<b>Net income</b>	<b>15</b>	<b>13</b>	<b>15.6%</b>	<b>(2)</b>	<b>NM</b>	<b>13</b>	<b>11.1%</b>
<b>Margins</b>							
Gross margin	29.9%	30.4%		26.2%		29.0%	
Operating margin	8.1%	8.3%		1.7%		7.9%	
Net margin	6.3%	5.7%		-0.9%		5.8%	

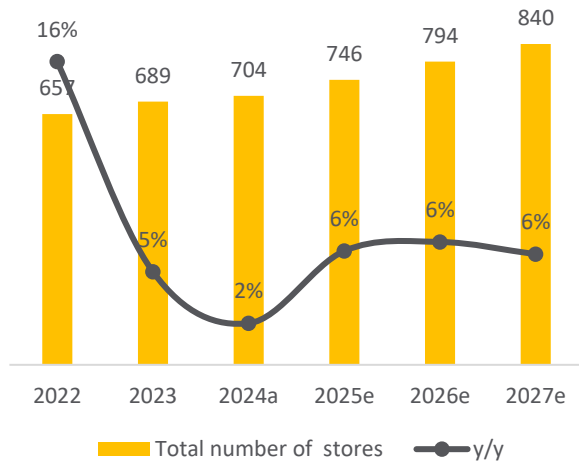
Source: Company data, GIB Capital

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**Valuation and risks:** We value Alamar using a discounted cash flow approach, applying a WACC of 9%, and arrive at a 1-year forward target price of SAR 59/share (SAR 87/share earlier), leading us to maintain our “Overweight” rating with an upside potential of 23%. Key downside risks include heightened competition, rising raw material costs, shifts in consumer preferences, increased pressure on consumer spending, disruptions to expansion plans, geopolitical instability, and currency fluctuations.

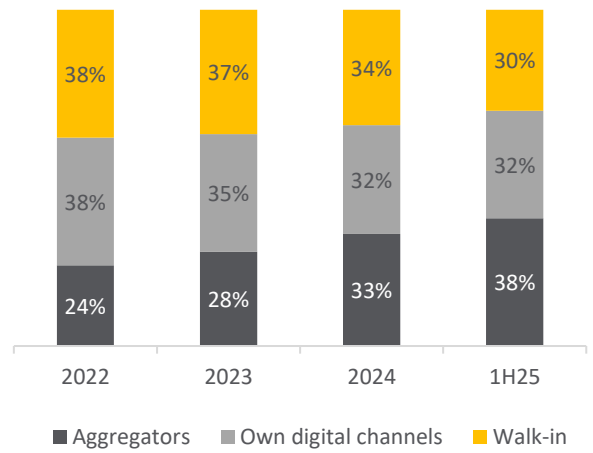
## Financial analysis in charts

Figure 3: Total number of stores



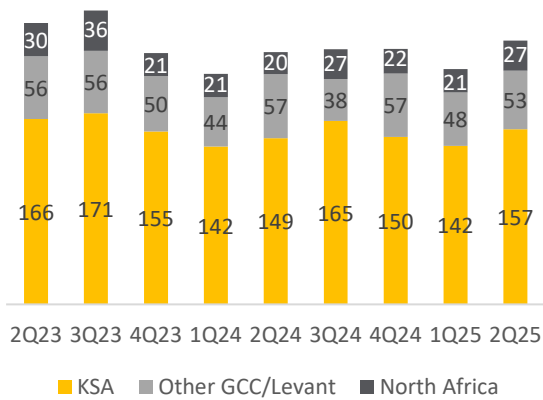
Source: Company data, GIB Capital

Figure 4: Revenue mix by service method %



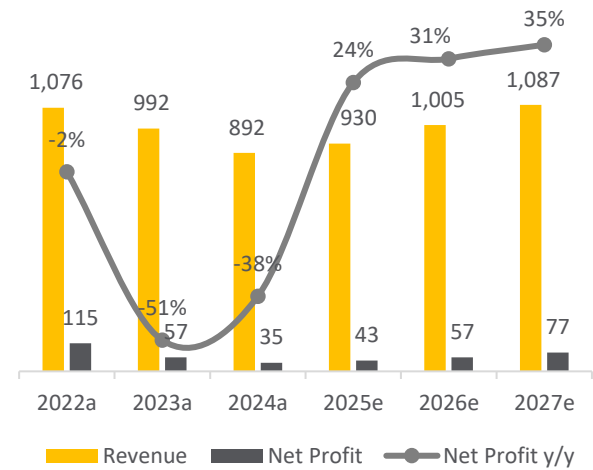
Source: Company data, GIB Capital

Figure 5: Revenue mix by geography (SARmn)



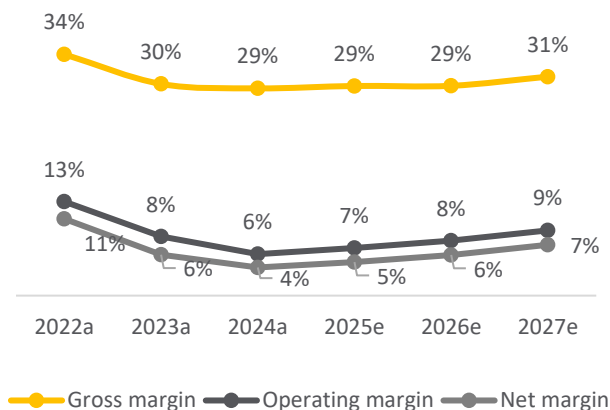
Source: Company data, GIB Capital

Figure 6: Financial Performance trend (SARmn)



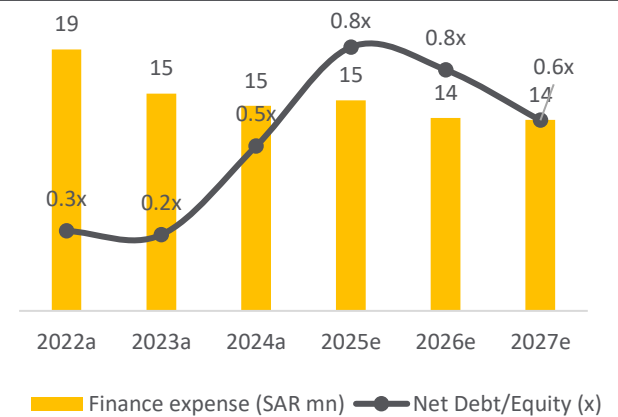
Source: Company data, GIB Capital

Figure 7: Margins trend



Source: Company data, GIB Capital

Figure 8: Leverage trend



Source: Company data, GIB Capital

## Financials

Figure 9: Summarized basic financial statements (SARmn)

Income statement	2023a	2024a	2025e	2026e	2027e
<b>Revenue</b>	<b>992</b>	<b>892</b>	<b>930</b>	<b>1,005</b>	<b>1,087</b>
revenue y/y	-8%	-10%	4%	8%	8%
COGS	699	634	657	711	755
<b>Gross Profit</b>	<b>293</b>	<b>258</b>	<b>272</b>	<b>294</b>	<b>332</b>
Gross Profit margin	30%	29%	29%	29%	31%
Selling and Marketing Expense	125	134	127	133	141
General and Administrative Expenses	95	91	99	100	109
<b>Operating profit</b>	<b>82</b>	<b>52</b>	<b>62</b>	<b>77</b>	<b>99</b>
Operating margin	8%	6%	7%	8%	9%
Finance costs	(15)	(15)	(15)	(14)	(14)
Other income	16	16	16	16	17
<b>PBT</b>	<b>70</b>	<b>40</b>	<b>49</b>	<b>63</b>	<b>86</b>
Zakat/tax	(13)	(5)	(6)	(6)	(9)
<b>Net income</b>	<b>57</b>	<b>35</b>	<b>43</b>	<b>57</b>	<b>77</b>
Net margin	6%	4%	5%	6%	7%
y/y	-51%	-38%	24%	31%	35%
<b>EPS</b>	<b>2.3</b>	<b>1.5</b>	<b>1.8</b>	<b>2.4</b>	<b>3.2</b>
DPS	2.1	2.1	1.8	1.9	2.0
Payout	92%	140%	100%	79%	61%
<b>EBITDA</b>	<b>201</b>	<b>159</b>	<b>169</b>	<b>191</b>	<b>220</b>

Balance Sheet	2023a	2024a	2025e	2026e	2027e
Inventories	80	75	78	84	89
Cash and cash equivalents	150	96	48	55	80
Trade receivables and other debtors	80	85	127	124	119
<b>Total Current Assets</b>	<b>314</b>	<b>266</b>	<b>263</b>	<b>273</b>	<b>298</b>
Property, plant and equipment	183	155	198	210	221
Right-of-use assets	176	171	181	192	204
<b>Total Non-Current Assets</b>	<b>405</b>	<b>388</b>	<b>437</b>	<b>455</b>	<b>472</b>
<b>Total Assets</b>	<b>719</b>	<b>654</b>	<b>700</b>	<b>728</b>	<b>770</b>
Current Liabilities	235	202	239	246	249
Non-current Liabilities	163	155	166	177	189
Equity	323	300	300	313	345
<b>Total Equity and Liabilities</b>	<b>719</b>	<b>654</b>	<b>700</b>	<b>728</b>	<b>770</b>
BVPS	12.7	11.8	11.8	12.3	13.5

Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	186	97	160	190	217
Cashflow from Investing	-57	-23	-79	-50	-52
Cashflow from Financing	-140	-123	-129	-133	-140
<b>Total Cashflows</b>	<b>-11</b>	<b>-49</b>	<b>-48</b>	<b>-7</b>	<b>25</b>

Source: Company data, GIB Capital

Figure 2: Key ratios

Key ratios	2023a	2024a	2025e	2026e	2027e
<b>Profitability ratios</b>					
RoA	8%	5%	6%	8%	10%
RoE	18%	12%	14%	18%	22%
Sales/Assets	138%	136%	133%	138%	141%
Net margin	6%	4%	5%	6%	7%
<b>Liquidity ratios</b>					
Current Assets/ Current Liabilities	1.3	1.3	1.1	1.1	1.2
Debt to Total Equity	2%	1%	1%	1%	1%
Receivable Days	29	35	50	45	40
Inventory Days	42	43	43	43	43
Payable days	67	69	85	80	75
Cash conversion cycle	4	9	8	8	8
<b>Debt ratios</b>					
Net Debt/EBITDA	0.2	0.5	0.8	0.8	0.6
Debt/Assets	31%	30%	28%	28%	27%
<b>Valuation ratios</b>					
P/E	21.1	31.9	26.5	20.2	15.0
P/B	3.8	4.1	4.1	3.9	3.6
EV/EBITDA	15.1	19.1	18.0	15.9	13.8
Dividend Yield	4.4%	4.4%	3.8%	4.0%	4.1%

Source: Company data, GIB Capital

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