

Target Price: SAR 65.6/share
Current Price: SAR50.3/share
Upside: 30.4% (+Div. Yield: +6.7%)
Rating: Overweight

First Milling Company (FMC)

Capacity expansion and diversification drive growth

- Topline to grow at an 8.6% CAGR over 2025–28e, supported by flour and feed expansion, with sales volumes growing at a 3.9% CAGR over the same period.
- Earnings are expected to grow at a 6.6% CAGR, driven by margin resilient, stronger utilization, and operating leverage despite rising costs.
- We set our 1Y Fwd TP at SAR65.6/sh, based on DCF and P/E (10.5x on avg 2026-27e EPS) valuations, indicating an upside of 30.4% with an Overweight rating.

Expanding capacity and broader product exposure underpin stronger growth... FMC is reinforcing its position as one of Saudi Arabia's largest milling companies, with continued investments expanding both its production footprint and growth avenues. As of 2Q26, wheat milling capacity increased ~11% to 5,450 tons/day following the commissioning of a new 600 tons/day line at AlQassem (Mill C), with the PESA mill expected to add 130 tons/day by 2H26e, supporting future growth across value-added flour categories. Meanwhile, the Almanar acquisition has expanded FMC's feed capacity to 1,450 tons/day, with feed now accounting for 36% of total revenue in 1H26 vs 26% in 1H25, further diversifying the business beyond flour and providing an additional volume-growth driver. Although the 120 tons/day Jeddah feed expansion has been delayed to 2027e, the company's capacity additions and strong 1H26 performance underpin our outlook for sales volumes to grow at a 3.9% CAGR over 2025–28e. We expect this to translate into a strong 8.6% revenue CAGR, driven by both volume growth and a richer product mix, with increasing contributions from feed and value-added products.

...while pricing pass-through and operating leverage support resilient profitability: Despite higher input, insurance, and freight costs amid geopolitical disruptions, FMC's ability to partially pass these through should limit GPM pressure, while feed and value-added products support margins. Further, higher opex from distribution model enhancements and Alkenan acquisition should be offset by stronger utilization and operating leverage, supporting EBITDA recovery from 2027e onward. Overall, we expect earnings to grow at a 6.6% CAGR over 2025–28e.

Figure 1: Key financial metrics

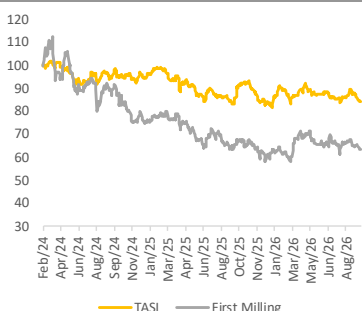
SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	1,049	1,146	1,320	1,410	1,468
Revenue growth	8.8%	9.3%	15.1%	6.9%	4.1%
Gross profit	457	482	558	601	627
Gross profit margin	43.6%	42.1%	42.3%	42.6%	42.7%
EBITDA	374	402	436	477	501
EBITDA margin	35.7%	35.1%	33.0%	33.8%	34.1%
Net profit	251	278	294	320	336
Net profit growth	13.9%	10.7%	6.0%	8.6%	5.3%
Net profit margin	23.9%	24.2%	22.3%	22.7%	22.9%
EPS (SAR)	4.5	5.0	5.3	5.8	6.1
DPS (SAR)	2.8	3.1	3.3	3.6	3.8
P/E	11.1x	10.1x	9.5x	8.7x	8.3x
EV/EBITDA	10.4x	9.7x	8.9x	8.2x	7.8x

Source: Company data, GiB Capital

Stock data	
TASI ticker	2283
Mcap (SARmn)	2,792
Avg. Trd. Val (3m) (SARmn)	3.3
Free float	41.9%
QFI holding	3.3%
TASI FF weight	0.04%

Source: Bloomberg

Prices indexed to 100



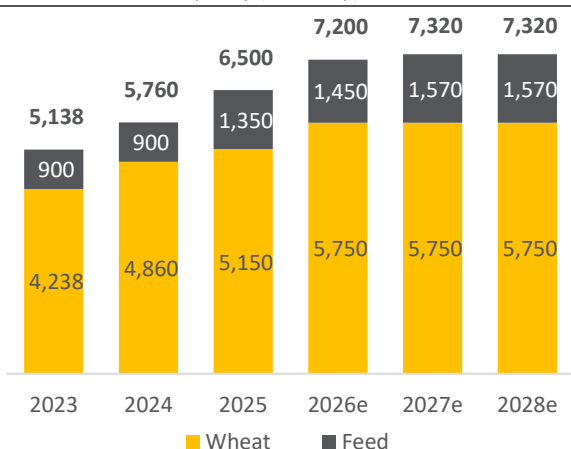
Source: Bloomberg

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Valuation and risks: We set our 1Y Fwd TP at SAR65.6/share, based on an equal weight of DCF valuation and relative valuation (applying a 10.5x multiple to 2026-27e EPS, down from 11x to reflect current market sentiment), implying an Overweight rating with a potential upside of 30.4%. Downside risks include the reduction or removal of the wheat subsidy, sharp movements in raw material prices, delays in capacity addition, increased customer concentration, and regulations on food waste.

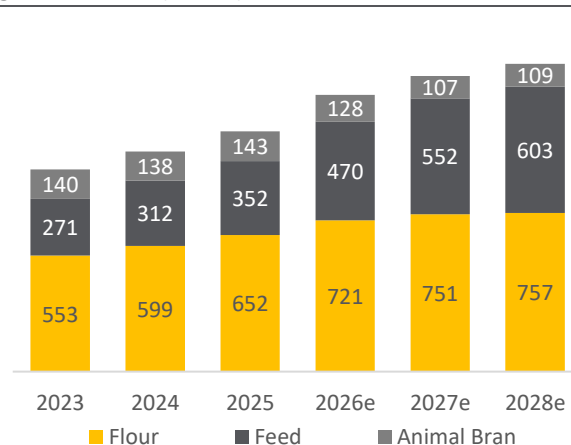
Financial analysis in charts

Figure 2: Wheat /Feed capacity (tons/day)*



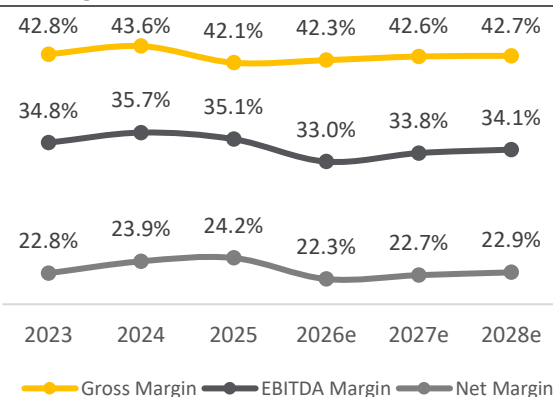
Source: Company data, GIB Capital, *Wheat capacity includes Durum.

Figure 3: Revenue (SARmn)



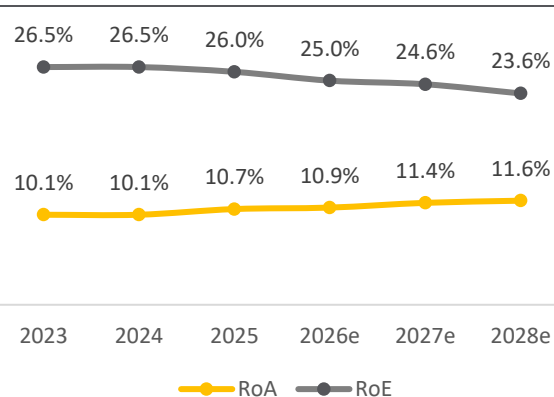
Source: Company data, GIB Capital

Figure 4: Margin trend



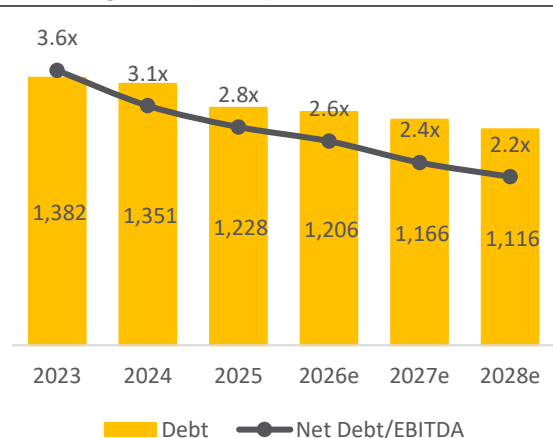
Source: Company data, GIB Capital,

Figure 5: RoA and RoE



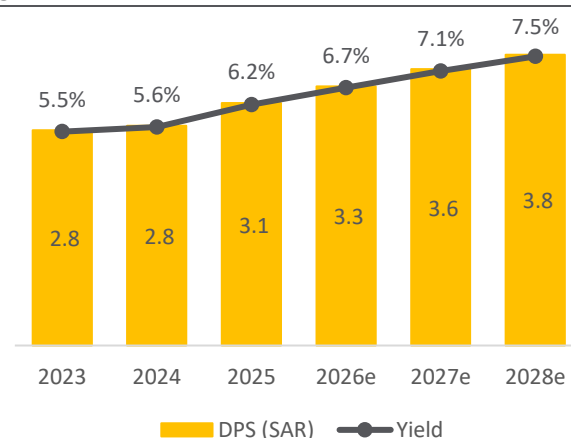
Source: Company data, GIB Capital

Figure 6: Leverage trend (SARmn)



Source: Company data, GIB Capital, *net debt includes lease liabilities

Figure 7: Dividend



Source: Company data, GIB Capital

Summarized Financial statements

Figure 8: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e	2028e
Revenue	1,049	1,146	1,320	1,410	1,468
revenue y/y	9%	9%	15%	7%	4%
COGS	592	664	762	809	841
Gross Profit	457	482	558	601	627
Gross Profit margin	43.6%	42.1%	42.3%	42.6%	42.7%
Selling and distribution expenses	56	68	100	106	111
General and administrative expenses	82	75	91	97	101
Operating profit	318	340	366	397	415
Operating margin	30%	30%	28%	28%	28%
Finance costs, net	62	57	64	69	69
Other income	0	2	0	0	0
PBT	257	285	302	328	345
Zakat/tax	6	7	8	8	9
Net income	251	278	294	320	336
Net margin	24%	24%	22%	23%	23%
y/y	14%	11%	6%	9%	5%
EPS	4.5	5.0	5.3	5.8	6.1
DPS	2.8	3.1	3.3	3.6	3.8
Payout	63%	63%	63%	62%	62%
EBITDA	374	402	436	477	501

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Inventories	162	163	187	198	206
Trade receivables	19	40	46	50	52
Prepayments and other current assets	12	34	39	42	43
Cash and cash equivalents	193	93	57	40	25
Total Current Assets	404	339	337	337	334
Property and equipment	682	820	910	997	1,087
Right-of-use assets	300	288	313	322	322
Intangible assets	9	11	11	11	11
Derivative financial instruments	8	0	0	0	0
Goodwill	1,091	1,139	1,139	1,139	1,139
Total Non-Current Assets	2,092	2,260	2,376	2,470	2,561
Total Assets	2,496	2,599	2,713	2,807	2,894
Current Liabilities	361	397	426	441	450
Non-current Liabilities	1,190	1,130	1,107	1,066	1,016
Equity	945	1,068	1,176	1,298	1,425
Total Equity and Liabilities	2,496	2,599	2,713	2,807	2,894
BVPS	17.0	19.2	21.2	23.4	25.7

Cashflow	2024a	2025a	2026e	2027e	2028e
Cashflow from Operations	306	342	356	396	420
Cashflow from Investing	(56)	(184)	(144)	(149)	(159)
Cashflow from Financing	(249)	(258)	(248)	(264)	(276)
Total Cashflows	0	(100)	(36)	(17)	(15)

Source: Company, GIB Capital

Figure 9: Key ratios

Key ratios	2024a	2025a	2026e	2027e	2028e
Profitability ratios					
RoA	10%	11%	11%	11%	12%
RoE	27%	26%	25%	25%	24%
Sales/Assets	42%	44%	49%	50%	51%
Net margin	24%	24%	22%	23%	23%
Liquidity ratios					
Current Assets/ Current Liabilities	1.1	0.9	0.8	0.8	0.7
Debt to Total Equity (w/ IFRS liab.)	1.4	1.1	1.0	0.9	0.8
Receivable Days	6	13	13	13	13
Inventory Days	100	90	90	90	90
Payable days	37	40	40	40	40
Cash conversion cycle	69	62	62	62	62
Debt ratios					
Net Debt/EBITDA (w/o IFRS liab.)	2.2	2.0	1.8	1.6	1.4
Net Debt/EBITDA (w/ IFRS liab.)	3.1	2.8	2.6	2.4	2.2
Debt/Assets (w/o IFRS liab.)	0.4	0.3	0.3	0.3	0.3
Net Debt/Equity (w/o IFRS liab.)	0.9	0.8	0.7	0.6	0.5
Net Debt/Equity (w/ IFRS liab.)	1.2	1.1	1.0	0.9	0.8
Valuation ratios					
P/E	11.1	10.1	9.5	8.7	8.3
P/B	3.0	2.6	2.4	2.2	2.0
EV/EBITDA	10.4	9.7	8.9	8.2	7.8
Dividend Yield	5.6%	6.2%	6.7%	7.1%	7.5%

Source: Company, GIB Capital

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