

**Target Price: SAR44/share**  
Current Price: SAR32.94/share  
Upside: 33.5% (+Div. Yield: +7.2%)  
**Rating: Overweight**

## Modern Mills Company

### In line 3Q results; Capacity expansion to drive growth

- In line 3Q25 performance across the board with revenues remaining broadly stable as flour gains offset feed softness, and net profit rising 16% y/y on lower financing costs.
- MMC secures GFSA approval, doubling Al-Jumum capacity to fuel long-term growth, projected to drive revenue growth of 9.1% CAGR over 2024–28e. Earnings to rise at a CAGR of ~11% over 2024–28e, driven by improved scale and lower finance costs.
- We revised our TP to SAR44/sh (SAR51.6/sh earlier) using both DCF and P/E (11x on 26e EPS) valuations, indicating an upside of 33.5% and an Overweight rating.

**3Q25 results:** Modern Mills (MMC) delivered broadly stable topline, edging up 0.8% y/y to SAR254mn, in line with our estimates. Growth was driven by a 10% increase in the Flour small packs segment, though this was offset by a 10% decline in the Feed segment, reflecting the pass-through of lower commodity prices to customers. Further, gross profit remained resilient at SAR94mn (slightly down by 0.6% y/y), also in line with expectations, resulting in GPM contracting to 36.8% versus 37.3% in 3Q24. However, operating profit declined 6.5% y/y to SAR64mn, weighed down by a 15.2% rise in operating expenses. Nonetheless, net profit increased by 16% y/y to SAR56mn and came in line with our estimates of SAR58mn, mainly supported by lower financing costs.

**Mill C approval marks major milestone in modern mills' growth strategy:** MMC has obtained GFSA final approval to commence operations at its newly built Mill C in Al-Jumum facility last September, more than doubling the capacity from 1,200 MT/day to 2,450 MT/day (104% increase), marking a pivotal milestone in the company's long-term growth strategy. This expansion will lift MMC's total flour production capacity from 3,450 MT/day to 4,700 MT/day by 4Q25e (although it will only partly reflect in 4Q25, as one month will be dedicated to pilot production), reinforcing its ability to meet rising demand across domestic and export markets. In addition, MMC plans further enhancements at its Khamis facility in 2026e, raising daily production from 1,650 MT/day to 1,800 MT/day. With existing mills already operating at near max utilization rate, these expansions will strengthen supply reliability and position MMC to capture accelerating demand for flour.

Figure 1: Key financial metrics

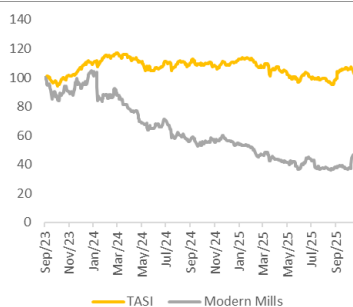
SARmn	2023a	2024a	2025e	2026e	2027e
Revenue	939	1,000	1,028	1,135	1,292
Revenue growth	-4%	7%	3%	10%	14%
Gross Profit	346	373	375	419	470
Gross Profit margin	37%	37%	36%	37%	36%
Op. income	254	259	259	292	325
Net profit	202	209	227	266	298
Net profit margin	22%	21%	22%	23%	23%
EPS (SAR)	2.5	2.55	2.8	3.2	3.6
DPS (SAR)	2.3	2.0	2.0	2.4	2.7
P/E	13.4x	12.9x	11.9x	10.1x	9.0x

Source: Company data, GIB Capital

Stock data	
TASI ticker	2284
Mcap (SARmn)	2,696
Avg. Trd. Val (3m) (SARmn)	2.3
Free float	31.0%
QFI holding	2.5%
TASI FF weight	0.03%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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Beyond flour, MMC is scaling its feed operations with the new Al-Jumum feed plant, expected to be operational by 4Q26e or early 1Q27e, which will expand annual feed production capacity by 422,000 MT/year to 870,400 MT/year. These investments are projected to drive robust financial performance, with revenue growth of 9.1% CAGR over 2024–28e, reaching SAR1,416mn by 2028e. Despite expansion-related costs and potential input cost pressures from raw materials like soya and corn, earnings are forecasted to grow at a 11.1% CAGR over 2024–28e, supported by improved scale and lower financing costs. With a resilient demand outlook and the sector’s defensive profile, we consider the stock a compelling value opportunity. The attractive dividend yield of approximately 7.2% further enhances its appeal, offering a meaningful cushion against potential downside risk at current levels.

**Valuation and risks:** After revising our estimates, a gradual ramp up of capacity expansion (unlike assuming at a faster rate previously) and lower valuation multiple to align with the prevailing industry trend, we revised our target price to SAR44/sh (SAR51.6/sh earlier), based on DCF and P/E based (11x P/E on 2026e EPS) valuation approaches, indicating an upside of 33.5% and hence maintaining our Overweight rating. Downside risk includes the reduction or removal of wheat subsidy, sharp movement in raw material prices, delay in capacity addition, increasing customer concentrations, and any regulation on food wastage.

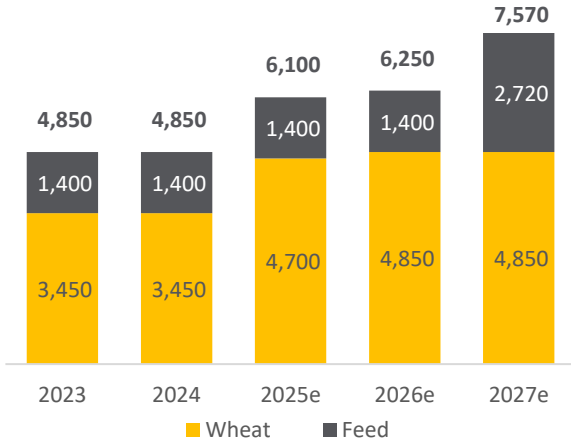
Figure 2: 3Q25 results summary

SARmn	3Q25	3Q24	y/y %	2Q25	q/q %	GIBC est.	Variance %
<b>Revenues</b>	<b>254</b>	<b>252</b>	<b>0.8%</b>	<b>241</b>	<b>5.8%</b>	<b>263</b>	<b>-3.1%</b>
Cost of sales	161	158	1.7%	158	2.0%	168	-4.5%
<b>Gross profit</b>	<b>94</b>	<b>94</b>	<b>-0.6%</b>	<b>83</b>	<b>13.0%</b>	<b>94</b>	<b>-0.5%</b>
Opex	29	26	15.2%	25	15.6%	29	2.6%
<b>Operating profit</b>	<b>64</b>	<b>69</b>	<b>-6.5%</b>	<b>57</b>	<b>11.8%</b>	<b>65</b>	<b>-1.9%</b>
<b>Net income</b>	<b>56</b>	<b>48</b>	<b>16.0%</b>	<b>50</b>	<b>13.0%</b>	<b>58</b>	<b>-3.1%</b>
<b>Margins</b>							
Gross margin	36.8%	37.3%		34.5%		35.9%	
Operating margin	25.2%	27.2%		23.9%		24.9%	
Net margin	22.1%	19.2%		20.6%		22.1%	

Source: Company data, GIB Capital

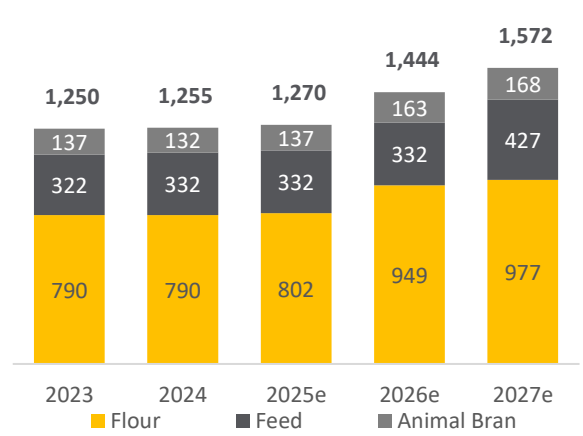
## Financial analysis in charts

Figure 3: Milling capacity (tons/day)



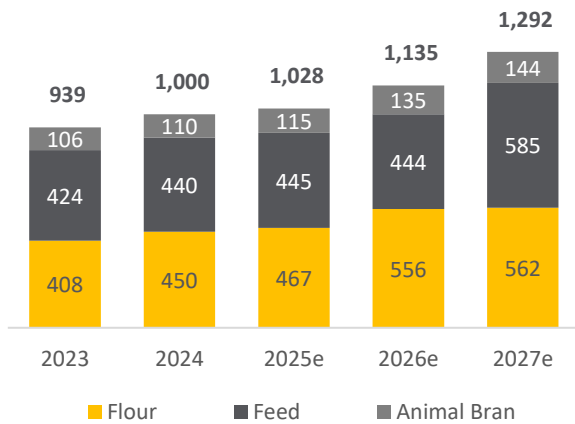
Source: Company data, GIB Capital

Figure 4: Sales volume ('000' tons)



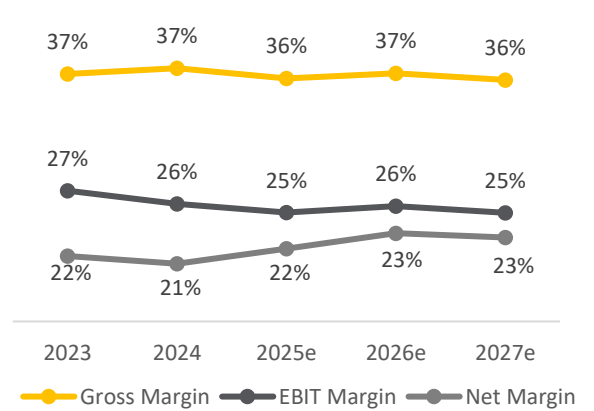
Source: Company data, GIB Capital

Figure 5: Revenue (SARmn)



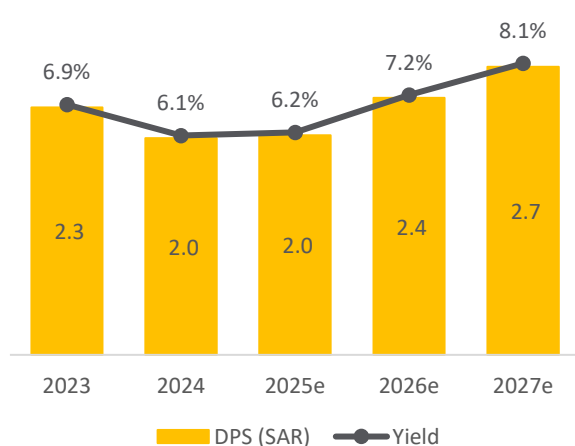
Source: Company data, GIB Capital

Figure 6: Margin trend



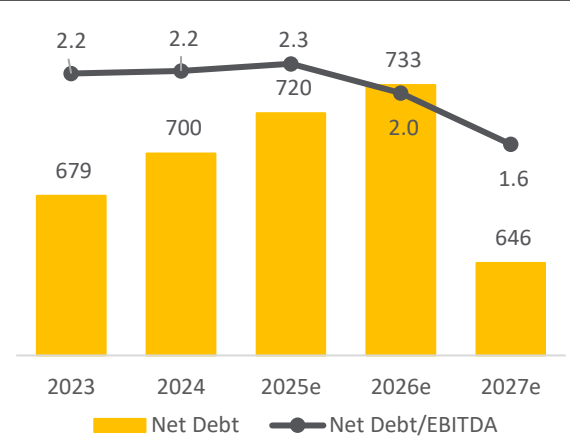
Source: Company data, GIB Capital

Figure 7: Dividend



Source: Company data, GIB Capital

Figure 8: Leverage trend\* (SARmn)



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

## Financials

Figure 9: Summarized basic financial statements (SARmn)

Income statement	2023a	2024a	2025e	2026e	2027e
<b>Revenue</b>	<b>939</b>	<b>1,000</b>	<b>1,028</b>	<b>1,135</b>	<b>1,292</b>
revenue y/y	-4%	7%	3%	10%	14%
COGS	593	627	653	716	822
<b>Gross Profit</b>	<b>346</b>	<b>373</b>	<b>375</b>	<b>419</b>	<b>470</b>
Gross Profit margin	37%	37%	36%	37%	36%
Selling and distribution expenses	29	49	54	58	66
General and administrative expenses	63	65	63	69	79
Expected credit loss/(reversal)	0	0	0	0	0
<b>Operating profit</b>	<b>254</b>	<b>259</b>	<b>259</b>	<b>292</b>	<b>325</b>
Operating margin	27%	26%	25%	26%	25%
Finance costs, net	44	48	25	19	19
Other income/(expenses)	0	0	0	0	0
<b>PBT</b>	<b>209</b>	<b>212</b>	<b>233</b>	<b>273</b>	<b>306</b>
Zakat/tax	7	3	6	7	8
<b>Net income</b>	<b>202</b>	<b>209</b>	<b>227</b>	<b>266</b>	<b>298</b>
Net margin	22%	21%	22%	23%	23%
y/y	-13%	3%	9%	17%	12%
<b>EPS</b>	<b>2.5</b>	<b>2.5</b>	<b>2.8</b>	<b>3.2</b>	<b>3.6</b>
DPS	2.3	2.0	2.0	2.4	2.7
Payout	93%	78%	73%	73%	73%
<b>EBITDA</b>	<b>312</b>	<b>319</b>	<b>320</b>	<b>362</b>	<b>396</b>

Balance Sheet	2023a	2024a	2025e	2026e	2027e
Inventory	86	87	98	108	124
Trade receivables	1	10	14	16	18
Prepayments and other current assets	32	36	36	40	45
Cash and cash equivalents	112	183	99	22	46
Due from related party	10	0	0	0	0
<b>Total Current Assets</b>	<b>242</b>	<b>316</b>	<b>248</b>	<b>185</b>	<b>233</b>
Property and equipment	704	778	851	951	956
Right-of-use assets	221	207	192	177	161
Intangible assets	3	4	5	6	7
<b>Total Non-Current Assets</b>	<b>927</b>	<b>988</b>	<b>1,048</b>	<b>1,134</b>	<b>1,124</b>
<b>Total Assets</b>	<b>1,169</b>	<b>1,304</b>	<b>1,296</b>	<b>1,319</b>	<b>1,356</b>
Current Liabilities	195	195	188	200	219
Non-current Liabilities	727	846	784	722	660
Equity	248	263	324	396	477
<b>Total Equity and Liabilities</b>	<b>1,169</b>	<b>1,304</b>	<b>1,296</b>	<b>1,319</b>	<b>1,356</b>
BVPS	3.0	3.2	4.0	4.8	5.8

Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	236	276	295	359	387
Cashflow from Investing	(56)	(107)	(121)	(156)	(62)
Cashflow from Financing	(186)	(98)	(258)	(280)	(301)
<b>Total Cashflows</b>	<b>(6)</b>	<b>71</b>	<b>(84)</b>	<b>(78)</b>	<b>24</b>

Source: Company, GIB Capital

Figure 10: Key ratios

Key ratios	2023a	2024a	2025e	2026e	2027e
<b>Profitability ratios</b>					
RoA	17%	16%	18%	20%	22%
RoE	81%	79%	70%	67%	63%
Sales/Assets	80%	77%	79%	86%	95%
Net margin	22%	21%	22%	23%	23%
<b>Liquidity ratios</b>					
Current ratio	1.2	1.6	1.3	0.9	1.1
Inventory days	53	50	55	55	55
Receivable days	0	4	5	5	5
Payable days	25	31	31	30	30
Cash conversion cycle	28	23	29	30	30
<b>Debt ratios</b>					
Net Debt/EBITDA	2.2	2.2	2.3	2.0	1.6
Debt/Assets	0.5	0.5	0.5	0.4	0.3
Net Debt/Equity	2.7	2.7	2.2	1.9	1.4
<b>Valuation ratios</b>					
P/E	13.4	12.9	11.9	10.1	9.0
P/B	10.9	10.3	8.3	6.8	5.7
EV/EBITDA	11.2	10.9	10.9	9.6	8.8
FCF Yield	8.4%	7.8%	6.3%	7.3%	12.0%
Dividend Yield	6.9%	6.1%	6.2%	7.2%	8.1%

Source: Company, GIB Capital

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