

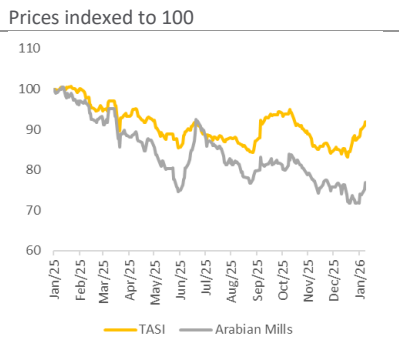
Target Price: SAR55.1/share
Current Price: SAR38.42/share
Upside: 43.5% (+Div. Yield: +2.8%)
Rating: Overweight

Arabian Mills for Food Products Co.

Capacity set to surge; Compelling valuation

Stock data	
TASI ticker	2285
Mcap (SARmn)	1,972
Avg. Trd. Val (3m) (SARmn)	3.8
Free float	30.0%
QFI holding	1.3%
TASI FF weight	0.03%

Source: Bloomberg



Source: Bloomberg

- Expanding flour and feed capacity across Riyadh and Hail to support steady revenue growth with the Riyadh facility being a key growth driver.
- Earnings to grow at a CAGR of 6.2% over 2024-28e, aided by easing finance costs, offsetting some input-cost pressure.
- Valuation remains appealing at 8.1x 1Y Fwd P/E vs. ~10x peers. Our revised TP stands at SAR55.1/sh., using DCF and P/E (10x on '26e EPS) valuations, implying OW rating.

Expanding operational scales across Riyadh and Hail: As a leading player with ~28% market share of the flour market, Arabian Mills is implementing a comprehensive expansion program across Riyadh and Hail to elevate production efficiency and operational scale. These expansions will raise Riyadh's flour production capacity by 800 tons/day to reach 3,870 tons/day by 1Q-2Q28e and also increase Hail's flour capacity by 150 tons/day to 800 tons/day by 1Q27e. In addition, Riyadh will also add a new feed mill, increasing capacity by 400 tons/day to 700 tons/day (+57%) by 1Q-2Q28e. Overall, these expansions are expected to drive flour capacity at a 4.5% CAGR over 2024–28e, with feed capacity reaching 1,000 tons/day by 2Q28e. Alongside these upgrades, AMC is preparing to launch 28 premium products under "Master Mills" brand, further strengthening its position in the high-end segment. Accordingly, we conservatively expect the total revenue to grow at a CAGR of 2.4% over 2024-28e amid healthy demand. Moreover, we expect gross margins to remain relatively steady. Nonetheless, we expect finance expenses to decline over the coming periods, supporting solid net profit growth (+6.2% CAGR), with net margins rising from 21.9% in 2024 to 25.3% by 2028e.

Expansion-led capex cycle sustained, aided by strengthening balance sheet: Capex requirements are set to remain elevated through 2026–28e, with the total expansion capex of SAR461mn, largely accounting for Riyadh's Flour mill expansion (SAR347mn; 75% of total), followed by the new feed mill in Riyadh (SAR57mn). Further, the company also plans to build new warehouses by investing SAR43mn over 2026- 28e, enhancing supply chain resilience.

Figure 1: Key financial metrics

SARmn	2024a	2025e	2026e	2027e	2028e
Revenue	974	993	1,004	1,020	1,073
Revenue growth	13%	2%	1%	2%	5%
Gross profit	455	465	469	473	497
Gross profit margin	46.7%	46.8%	46.7%	46.4%	46.3%
EBITDA	374	374	385	392	412
EBITDA margin	38.4%	37.6%	38.3%	38.5%	38.4%
Net profit	214	241	244	252	271
Net profit growth	13%	2%	1%	2%	5%
Net profit margin	21.9%	24.3%	24.3%	24.7%	25.3%
EPS (SAR)	4.2	4.7	4.7	4.9	5.3
DPS (SAR)	0.6	1.0	1.1	1.1	1.3
P/E	9.2x	8.2x	8.1x	7.8x	7.3x
EV/EBITDA	7.4x	7.5x	7.2x	7.1x	6.8x

Source: Company data, GIB Capital

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We note that these expansions are being pursued against the backdrop of a healthy balance sheet, without compromising financial flexibility. AMC's leverage position has improved recently, with net debt (including lease liabilities) to EBITDA falling from 3.3x in 2023 to 2.7x in 2024. It is likely to further improve to 2.1x by 2025e, aided by SAR150mn voluntary debt repayments in 2025 and healthy cash flows. Going forward, we expect the deleveraging to continue, with net debt to EBITDA likely falling below 1x by 2029e, driven by healthy cash generation and minimal capex needs following the completion of expansions, enabling to improve the dividends, although gradually, in our view.

Change in estimates: We have revised our estimate slightly downward, reducing our 2026–27e revenue forecasts by ~4–12%, largely due to a slower-than-anticipated expansion in flour capacity. Consequently, we have lowered our earnings estimates for the same period by ~3–11%, despite lower financing costs.

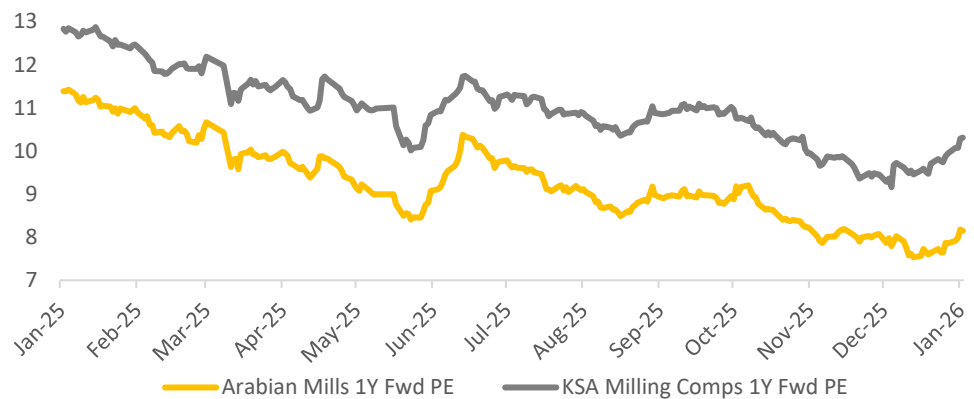
Figure 2: Revision in estimates

SARmn	2026e			2027e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	1,004	1,047	-4.1%	1,020	1,152	-11.5%
Gross profit	469	482	-2.8%	473	532	-11.1%
GPM %	46.7%	46.1%		46.4%	46.2%	
Operating Profit	300	308	-2.5%	304	340	-10.6%
Operating margin %	29.9%	29.4%		29.8%	29.5%	
Net profit	244	250	-2.6%	252	284	-11.1%
NPM %	24.3%	23.9%		24.7%	24.6%	

Source: GIB Capital

Valuation and risks: Despite downward revision in our estimates, we maintain a positive medium-to-long-term outlook, mainly due to i) its robust market shares with strong expansion plan, ii) strategically located Riyadh facility, serving roughly 25% of the KSA population, iii) rising penetration of value-added products, iv) improving financial leverage profile and v) attractive valuation (trading at an attractive 1Y Fwd P/E of 8.1x 1Y, lower than other Saudi milling companies multiple of ~10x). Accordingly, we revise our 1Y Fwd TP to SAR55.1/sh., based on equal weight of DCF and relative valuations (10x P/E on our 2026e EPS, lowering from 14x previously due to uncertainty surrounding the subsidy continuity) but remain Overweight on the stock. Downside risks include 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.

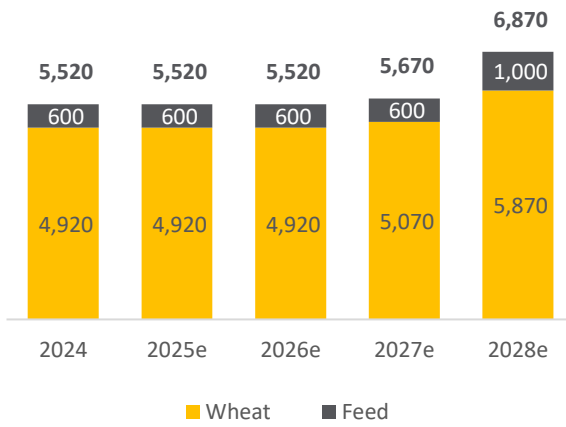
Figure 3: KSA Milling companies 1Y Fwd PE vs Arabian mills 1Y Fwd PE



Source: Bloomberg, GIB Capital

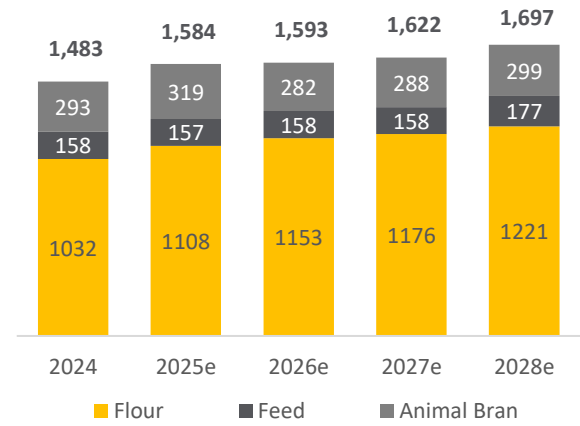
Financial analysis in charts

Figure 4: Wheat milling capacity (tons/day)



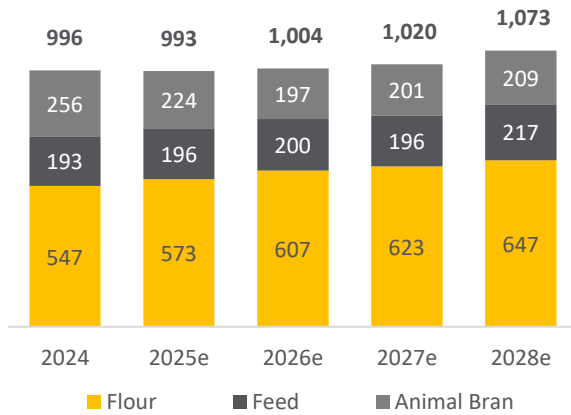
Source: Company data, GIB Capital

Figure 5: Sales volume ('000' tons)



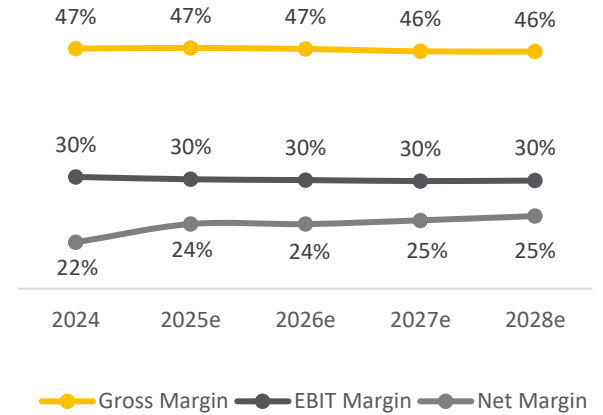
Source: Company data, GIB Capital

Figure 6: Revenue (SARmn)



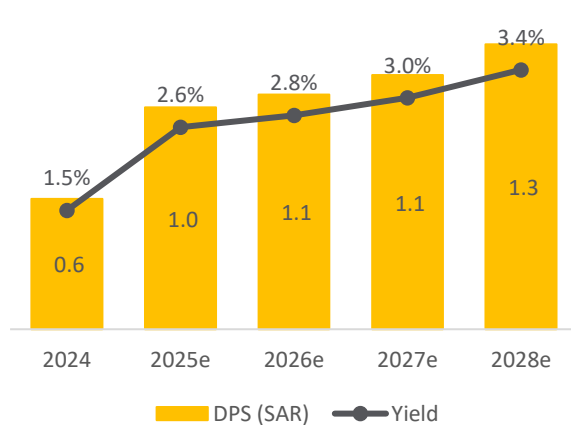
Source: Company data, GIB Capital

Figure 7: Margin trend



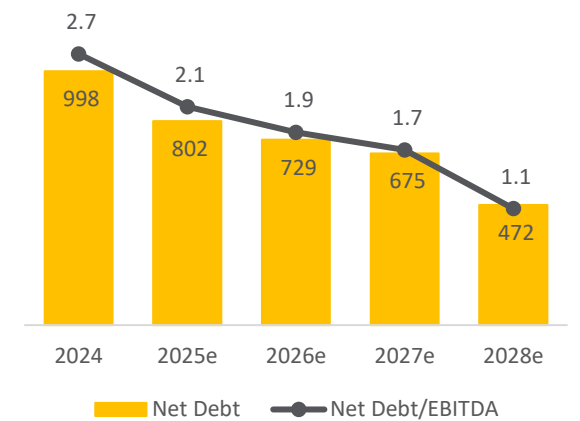
Source: Company data, GIB Capital

Figure 8: Dividend



Source: Company data, GIB Capital

Figure 9: Leverage trend (SARmn)



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

Financials

Figure 10: Summarized basic financial statements (SARmn)

Income statement	2024a	2025e	2026e	2027e	2028e
Revenue	974	993	1,004	1,020	1,073
revenue y/y	13%	2%	1%	2%	5%
COGS	519	528	535	547	576
Gross Profit	455	465	469	473	497
Gross Profit margin	46.7%	46.8%	46.7%	46.4%	46.3%
Selling and distribution expenses	60	69	71	72	76
General and administrative expenses	100	98	97	97	101
Operating profit	295	298	300	304	320
Operating margin	30.3%	30.0%	29.9%	29.8%	29.8%
Finance costs, net	79	55	52	46	41
Other income, net	3	4	3	2	2
PBT	219	246	251	260	281
Zakat/tax	6	5	7	8	9
Net income	214	241	244	252	271
Net margin	21.9%	24.3%	24.3%	24.7%	25.3%
y/y	7%	13%	1%	4%	7%
EPS	4.2	4.7	4.7	4.9	5.3
DPS	0.6	1.0	1.1	1.1	1.3
Payout	14%	21%	22%	23%	24%
EBITDA	374	374	385	392	412
Balance Sheet	2024a	2025e	2026e	2027e	2028e
Inventory	127	130	132	135	142
Trade receivables	34	41	41	42	44
Prepayments and other current assets	10	10	10	10	11
Cash and cash equivalents	130	199	196	173	300
Total Current Assets	301	381	379	361	498
Property and equipment	845	833	961	1,112	1,123
Right-of-use assets	248	237	228	218	208
Intangible assets	63	61	59	57	55
Goodwill	822	822	822	822	822
Total Non-Current Assets	1,978	1,953	2,069	2,209	2,208
Total Assets	2,279	2,333	2,449	2,570	2,706
Current Liabilities	147	137	138	139	143
Non-current Liabilities	1,097	972	897	823	750
Equity	1,035	1,225	1,414	1,607	1,812
Total Equity and Liabilities	2,279	2,333	2,449	2,570	2,706
BVPS	20.2	23.9	27.6	31.3	35.3
Cashflow	2024a	2025e	2026e	2027e	2028e
Cashflow from Operations	344	359	385	390	403
Cashflow from Investing	(14)	(51)	(201)	(228)	(91)
Cashflow from Financing	(327)	(240)	(187)	(184)	(185)
Total Cashflows	2	69	(4)	(22)	127

Source: Company, GIB Capital

Figure 11: Key ratios

Key ratios	2024a	2025e	2026e	2027e	2028e
Profitability ratios					
RoA	9%	10%	10%	10%	10%
RoE	21%	20%	17%	16%	15%
Sales/Assets	43%	43%	41%	40%	40%
Net margin	22%	24%	24%	25%	25%
Liquidity ratios					
Current ratio	2.1	2.8	2.8	2.6	3.5
Inventory days	90	90	90	90	90
Receivable days	13	15	15	15	15
Payable days	27	27	27	27	27
Cash conversion cycle	76	78	78	78	78
Debt ratios					
Net Debt/EBITDA (w/ IFRS liab.)	2.7	2.1	1.9	1.7	1.1
Debt/Assets (w/o IFRS liab.)	0.4	0.3	0.3	0.2	0.2
Net Debt/Equity (w/ IFRS liab.)	1.0	0.7	0.5	0.4	0.3
Valuation ratios					
P/E	9.2	8.2	8.1	7.8	7.3
P/B	1.9	1.6	1.4	1.2	1.1
EV/EBITDA	7.4	7.5	7.2	7.1	6.8
FCF Yield	16.0%	15.1%	8.9%	7.8%	15.5%
Dividend Yield	1.5%	2.6%	2.8%	3.0%	3.4%

Source: Company, GIB Capital

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