

CREDIT OPINION

19 September 2025

Update



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RATINGS

Almarai Company

| | |
|------------------|-----------------------------|
| Domicile | Saudi Arabia |
| Long Term Rating | Baa3 |
| Type | LT Issuer Rating - Fgn Curr |
| Outlook | Positive |

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Almarai Company

Update to credit analysis

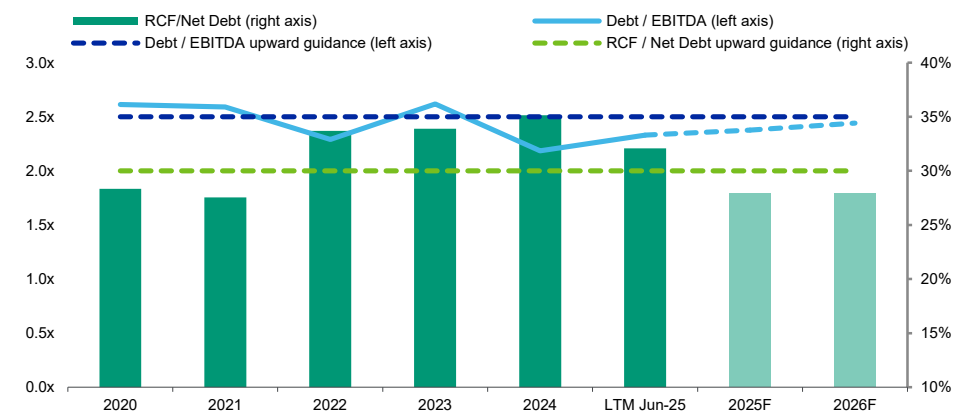
Summary

[Almarai Company's](#) (Almarai) Baa3 issuer rating is supported by the (1) well-recognized and established brands, with strong market positions in products such as milk, cheese, butter, baked goods and fresh poultry; (2) vertical integration with efficient manufacturing facilities; (3) growing non-dairy segments which helps mitigate product specific weakness; and (4) good liquidity and a prudent financial policy.

The Baa3 ratings also incorporate (1) its geographical concentration, especially with respect to dairy farms, which are located in a single producing region; (2) its concentration of revenue in one segment, namely dairy products and juice; (3) exposure to volatility in raw material costs and market sale prices, which could constrain its profitability; (4) execution risks related to expansion in non-dairy markets which could limit free cash flow generation and dilute margins in the medium term; and (5) exposure to foreign currency translation. The ratings also reflect our expectation that the company will undertake opportunistic acquisitions to enter new categories or countries.

Exhibit 1

Almarai's adjusted leverage expected to remain below 2.5x despite a sizeable expansion program



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

- » Established brands with leading market positions in the Middle East and North Africa (MENA) region across a number of segments, such as fresh dairy and baked goods
- » A vertically integrated business model, which provides a margin advantage over its peers in the dairy business
- » Good liquidity and a prudent financial policy

Credit challenges

- » Execution risks related to expansion program in non-dairy market which limits free cash flow generation
- » A degree of concentration on dairy products, with dairy and juice contributing to 67% of revenue for LTM June 2025
- » Possible biohazard risk because the company sources its milk from one geographical area

Rating outlook

The positive rating outlook reflects the expectation that Almarai's credit profile will remain solid as it undergoes a large capital investment program to expand its poultry and adjacent food businesses.

Factors that could lead to upgrade

The rating could be upgraded if Almarai's margins were to stabilize close to the mid-teens level. The rating could also be upgraded if the company maintains its financial leverage (Moody's adjusted debt/EBITDA) below 2.5x, with Moody's adjusted retained cash flow (RCF)/net debt above 30%, while maintaining strong margins and credit quality, robust liquidity and free cash flow (FCF) generation, as well as a prudent dividend policy.

Factors that could lead to downgrade

A downgrade could be triggered if Moody's adjusted debt/EBITDA increases towards 3.5x or Moody's adjusted RCF/net debt decreases to below 20% for an extended period. A deterioration in its profitability or liquidity, increased payouts to shareholders and large debt-funded acquisitions could also lead to a downgrade.

Key indicators

Exhibit 2

Key Indicators for Almarai Company^{[1][2][3]}

| (in \$ billions) | 2020 | 2021 | 2022 | 2023 | 2024 | LTM Jun-25 | 2025F | 2026F |
|--------------------------|-------|-------|-------|-------|-------|------------|-------|-------|
| Revenue | 4.1 | 4.2 | 5.0 | 5.2 | 5.6 | 5.7 | 6.0 | 6.5 |
| EBITA Margin | 18.0% | 14.1% | 13.5% | 14.5% | 15.0% | 14.8% | 14.3% | 13.8% |
| Debt / EBITDA | 2.6x | 2.6x | 2.3x | 2.6x | 2.2x | 2.3x | 2.4x | 2.4x |
| RCF / Net Debt | 28.3% | 27.5% | 33.7% | 33.9% | 35.1% | 32.1% | 27.9% | 27.9% |
| EBITA / Interest Expense | 5.4x | 5.8x | 5.2x | 4.0x | 4.0x | 4.4x | 3.8x | 3.8x |

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments.

[2] Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.

[3] Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Ratings

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Profile

Almarai Company (Almarai) is the Middle East's leading food and beverage manufacturer and distributor, and the world's largest vertically integrated dairy company. The group is active in five sectors across the Middle East and North Africa (MENA) region: dairy (liquid and foods), juice, baked goods, poultry and infant nutrition. Its major brands include Almarai, L'Usine, 7 Days and Alyoum. For LTM Jun 30 2025, Almarai reported sales of SAR21.4 billion and operating profit of SAR3.0 billion. Established in 1977, the company's main shareholder includes HH Prince Sultan bin Mohammed bin Saud Al Kabeer and related entities (23.7%) and Saudi Agricultural & Livestock Investment Company (SALIC) (16.3%) and AbdulKadir Al-Muhaidib & Sons Co. (5.19%).

Detailed credit considerations

Strong credit metrics are expected to sustain but increased capital spending will constrain cash flow

Almarai's financial leverage (Debt/EBITDA) has improved to 2.3x in LTM June 2025, down from 3x in 2019. The track record of deleveraging was mainly achieved by about SAR1.3 billion of adjusted debt reduction and about SAR800 million of EBITDA growth. We expect the company's financial leverage will remain below 2.5x through 2026 despite increased capital spending. This is mainly driven by higher earnings from capacity expansion program which will be phased over the next three years, partially offset by modest increase in funded debt.

Retained cash flow to net debt will remain strong at around 28% to 30% in 2025 and 2026, but modestly down from 32.1% in LTM June 2025. The decline mainly reflects nonrecurring cash expenses related to the ramp up of additional poultry and adjacent food capacity, higher diesel costs, and higher debt cost incurred to partially fund the expansion. We expect retained cash flow to net debt to improve post 2026 supported by increased scale and higher earnings.

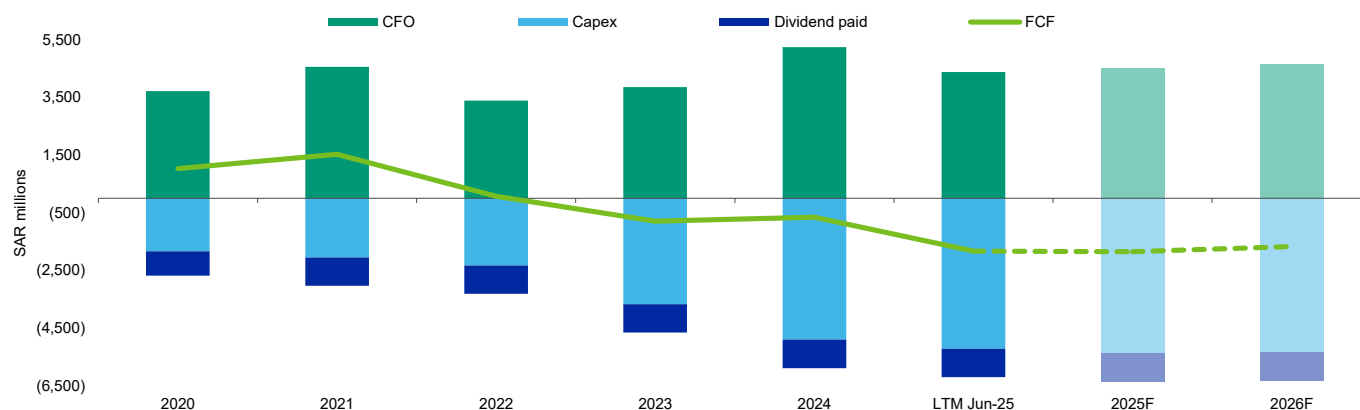
We also expect Almarai to maintain a conservative financial policy. The company has a track record of maintaining net debt/EBITDA below 3.0x (in line with its internal net financial leverage policy of 2.5x-2.7x) despite sizeable capital spending and acquisitions over the past 10 years. We believe the company will continue to fund its capital spending with a balance between equity and debt to maintain its net financial leverage within its internally set target over the next 24 months.

Almarai is acquiring Pure Beverages Industry Company, a Saudi Arabian premium bottled water producer, for about SAR 1.0 billion to expand its beverage portfolio. The deal, signed in June 2025, is awaiting regulatory approvals and the fulfillment of contractual conditions in Saudi Arabia. If completed, we expect the acquisition to modestly increase financial leverage until the operations are ramped up and synergies are realized with existing operations. We expect the financial leverage to increase by 0.1x to 2.5 for 2025-26 and RCF / Net Debt to decline by around 2% to 28% during the same period.

We expect pressure on free cash flow through 2026 as a result of an increase in capital spending with the company returning to positive free cash flow toward 2027. In March 2024, Almarai announced its current strategic investment plan for 2024-2028. The investment plan is in line with Saudi Arabia's expected economic and demographic growth. The company expects to invest about SAR18 billion phased over the next five years and funded mostly with internally generated cash flow, of which around SAR 3.5 billion was spent on expansion projects. The investment plan includes expansion in poultry and adjacent food production capacity along with technology upgrades and new product launches. The current investment plan comes after more than SAR30 billion of capital spent to enhance the company's scale, build competitive facilities, and enter new products and markets.

Exhibit 3

Higher expansionary spendings to weigh on free cash flow in the medium term before turning positive with higher volume-led growth



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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

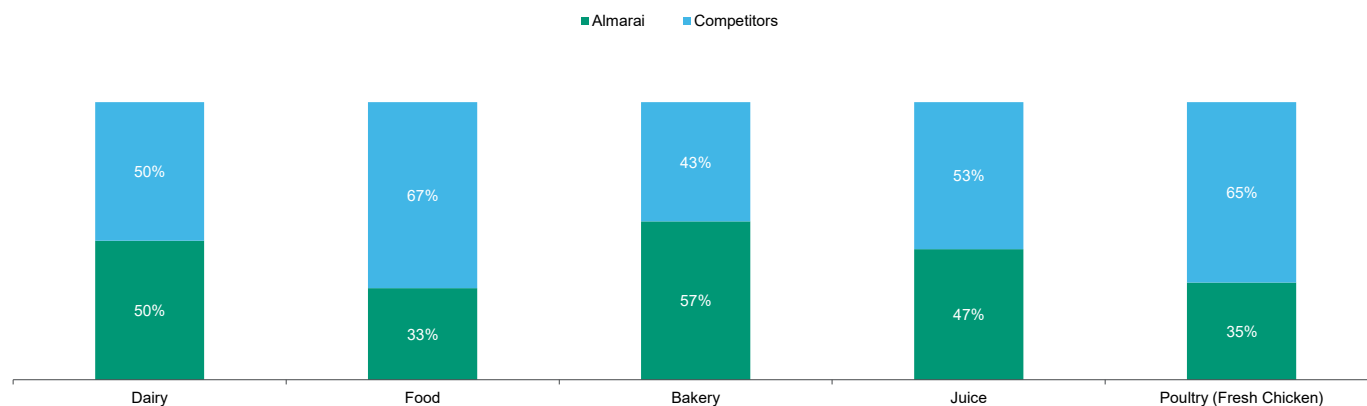
Strong, established brands with leading market positions

Almarai has leading market positions in GCC countries in products such as milk, cheese, butter and baked goods. Dairy products (fresh dairy, long life dairy and foods) accounted for 60% of Almarai's sales in the first half of 2025. The company benefits from the strong brand image of its fresh milk and Laban (fermented milk), zabadi (plain yogurt), fruit yogurt, and cream and dairy desserts. According to Nielsen, in [Saudi Arabia](#) (Aa3 stable) as of May 2025, the company ranked first in the dairy market with a 50% market share, first in the bakery segment with 57% market share and first in the poultry (fresh chicken) segment with a 35% market share.

Almarai's brands are well established and well recognized by consumers in the GCC countries, offering Almarai a degree of protection against competition from multinational consumer groups, which are struggling to gain significant market share in Saudi Arabia. Almarai also benefits from an established logistics and distribution network.

Exhibit 4

KSA market share by product



As of 31 May 2025

Source: Company data

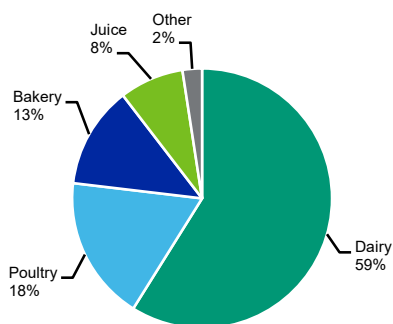
Geographic concentration is mitigated by vertical integration

Almarai is active across the MENA region and has a particularly strong position in its domestic market, the Kingdom of Saudi Arabia. The company faces greater competition in the UAE from several niche companies (Al Rawabi Dairy Company, Al-Ain) in different product markets (juice, food, fresh dairy and long-life dairy) as well as in Oman. Under our Global Consumer Packaged Goods rating methodology, Almarai's geographical diversification scores a B, reflecting the concentration of revenue and cash flow from a single

region. The geographical concentration also reflects the proximity of the farms owned by Almarai from which it sources its dairy products. Five of the seven farms are located within 30 kilometers of each other in Saudi Arabia, potentially exposing the company to the risk of outbreaks of bovine diseases. There is also a degree of revenue concentration with dairy products and juice accounting for 67% of revenue for LTM June 2025.

Exhibit 5

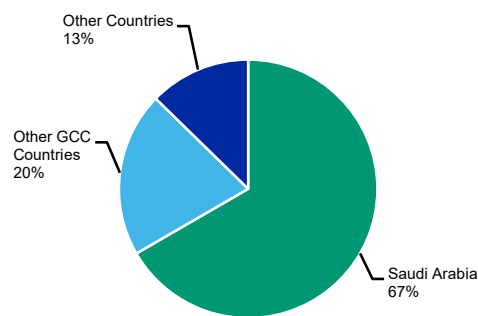
Dairy accounts for 59% of the company's reported revenue (LTM Jun-25)



Source: Company data

Exhibit 6

66% of reported revenue are generated in Saudi Arabia (LTM Jun-25)



Source: Company data

In mitigation, each farm is operated and controlled independently, limiting the risks of contagion. Almarai has invested in modern farming techniques and follows a vaccination policy for the most common diseases. Its focus on technology and efficiency has increased milk production and yields. Almarai's strong vertical integration is reflected in its presence throughout the food production and distribution chain, from its ownership of farms to its ownership of fridges in stores, enabling the company to exert increased control over costs and reducing its reliance on external suppliers.

In addition, in its efforts to support the agricultural sector and reduce water consumption in Saudi Arabia, Almarai has historically benefited from direct subsidies for the import of certain commodities such as corn, alfalfa, soybean meal and sugar beet pulp, as well as indirect subsidies provided to all sectors in Saudi Arabia in the form of low prices for water, electricity and petroleum. As a result, Almarai's operating margins have been higher than those of its peers in the global consumer packaged goods industry. However, the decision by the Saudi Arabian government in 2019 to phase out home-grown alfalfa and remove subsidies on feed inputs, with the exception of green fodder, has resulted in an increase in costs since 2019, and therefore a reduction of Almarai's advantage over global peers. The removal of subsidies has negatively impacted only the dairy segment. For the poultry segment, the government replaced the non-green fodder feed input subsidy with a subsidy on final poultry output. To secure its supply of alfalfa, Almarai has bought farmland in Argentina and the US, and has long-term supplier agreements.

Increased scale, mainly organically is likely to continue

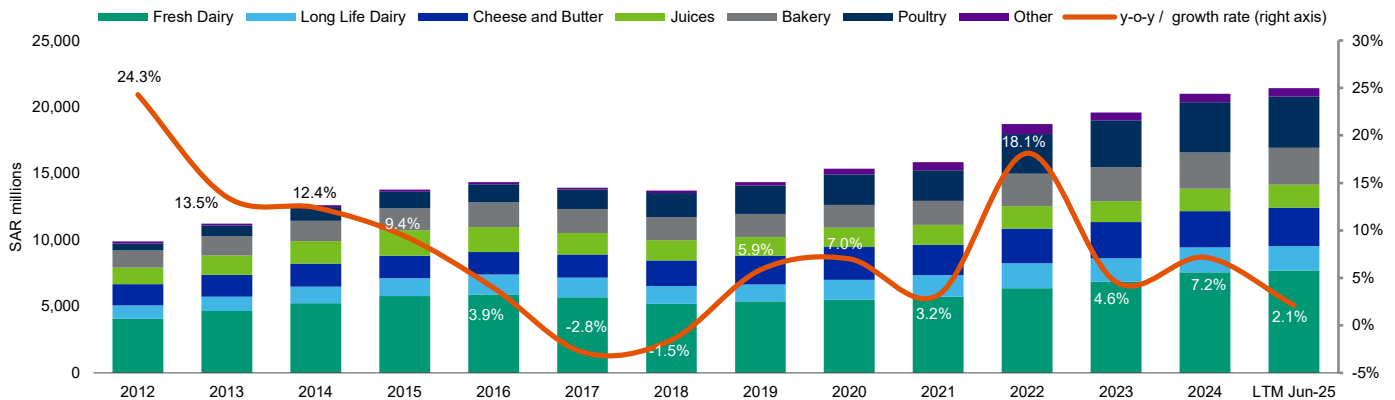
Almarai's scale has increased its revenue and EBITDA over the past few years. Revenues has increased to more than SAR21 billion in LTM June 2025, up from about SAR13.5 billion in 2018 mainly driven by prices increases and volume growth. We believe the company will continue to grow its revenue toward SAR30 billion over the next five years. This is in line with expected population growth in Saudi Arabia and other GCC countries as well as prudent pricing management.

The growth in revenue is also supported by demographic growth in Saudi Arabia with an increase in the number of expats in the country; new product launches such as seafood, protein milk, and ice cream; continued social changes in the country with more women joining the workforce and relying on packaged goods; and Almarai's ability to pass on sales price increases to the end consumer to cover costs. In addition, the company has been focusing on efficiencies within its operations to improve productivity and better serve its markets. Almarai's revenue has also benefited from an increase in its poultry production in 2025 to around an expected capacity of 320 million birds from 200 million in 2022, by improving its production cycle and higher capex investments in poultry.

Revenue increase in the first half of 2025 was through all of Almarai's trade channel, with the traditional trade and modern trade channels taking the lion's share of the increase. Food service channels also grew during the year, however to a lesser extent compared to the other channels. The modern trade channel includes supermarkets and hypermarkets, while the traditional trade channel includes small retailers.

Exhibit 7

Almarai's first half revenue growth of 7.6% reflects increased volumes, stable prices and partially offset by foreign currency devaluations



LTM = Last 12 months.

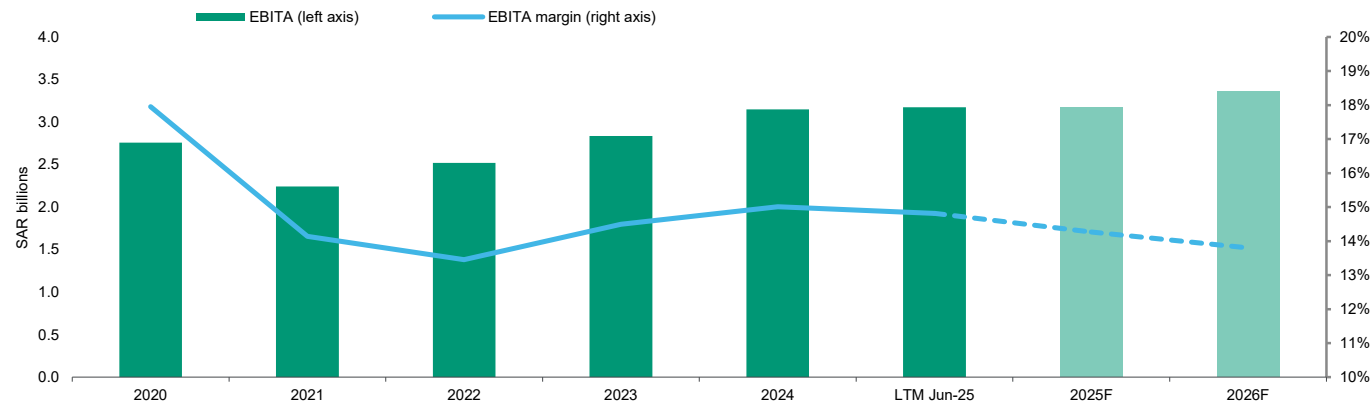
Source: Company data

Potential change in consumer habits and ramp up of poultry could result in a decrease in margins

We expect Almarai's EBITA will stabilize between 13% — 14% through 2026 compared to LTM June 2025 as the company continues to pass on input cost inflation with prices increases as well launches new premium products and controls corporate costs to remain competitive. Over the last few years costs have been impacted as a result of (1) the phasing out of home-grown alfalfa and removal of subsidies on feed inputs, with the exception of green fodder; (2) the removal or reduction of other subsidies such as fuel and utility costs; (3) increase in fees such as expat levy fees; and (4) the increase in global commodity prices. The company has since pushed prices to recover significant costs inflation in 2022 and 2023.

However, a change in the company's revenue mix could put negative pressure on Almarai's EBITA margins. Changing consumer habits toward long-life dairy from fresh dairy, in line with the last three years results, could limit EBITA growth as long-life dairy products have lower margins compared to fresh dairy. In addition, the company's growing presence in poultry business could also limit the consolidated margins because those operations could have lower margins compared to Almarai's other segments.

Exhibit 8
EBITA expected to grow while margins expected to stabilize in the next two to three years

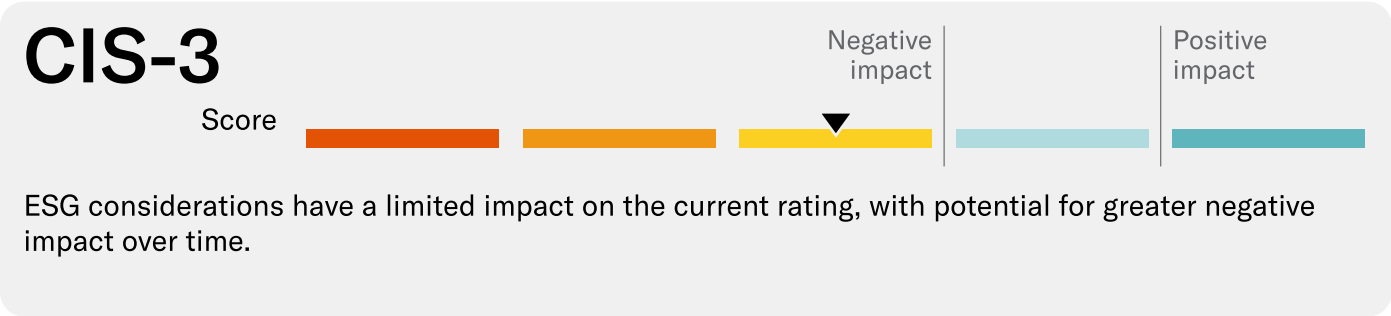


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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

ESG considerations

Almarai Company's ESG credit impact score is CIS-3

Exhibit 9
ESG credit impact score



Source: Moody's Ratings

Almarai Company's **CIS-3** ESG credit impact score indicates that ESG considerations have a limited impact on the current rating with the potential for greater negative impact over time reflecting exposure to environmental (E-4) and social risks (S-4). These risks are partially mitigated by the company's solid market positions and pricing power, particularly in the Saudi Arabian market as well as the company's conservative financial policies.

Exhibit 10
ESG issuer profile scores



Source: Moody's Ratings

Environmental

E-4. Almarai has exposure to environmental risks, mainly related to physical climate, carbon transition, and water management risks. Physical climate risks are related to the fact that the majority of Almarai's operations are concentrated in one geographic area which is prone to droughts; carbon transition risks reflect the cattle count the company has, which results in high CO₂ and methane emissions, and to the extensive logistics operations they have to transport their products; and water management risks, reflecting the company's reliance on underground water, which is a very scarce resource in Saudi Arabia, given the limited amount of rain in the Kingdom.

Social

S-4. Almarai's exposure to social risks reflects the reputational risks. Those include product-quality issues such as risk of contamination or food diseases or risks associated with the sustainability of products and raw materials. In addition, social risks arise from changes in end-consumer preferences and dietary considerations, which could significantly affect product demand. However, Almarai has been able to adapt its offerings to changing consumer preferences.

Governance

G-2. Almarai's exposure to governance risks reflect its conservative financial policies (which map to Baa in our packaged goods methodology). Almarai has been generating positive FCF for the last three years and is planning to fund its investments program using mostly internally generated cash flows. Almarai is listed on Tadawul (Saudi Arabia's stock exchange). Its main shareholders are HH Prince Sultan bin Mohammed bin Saud Al Kabeer and related entities (23.7%), and Saudi Agricultural & Livestock Investment Company (SALIC) (16.3%) and AbdulKadir Al-Muhaidib & Sons Co. (5.19%). 3 out of the 9 board members are independent.

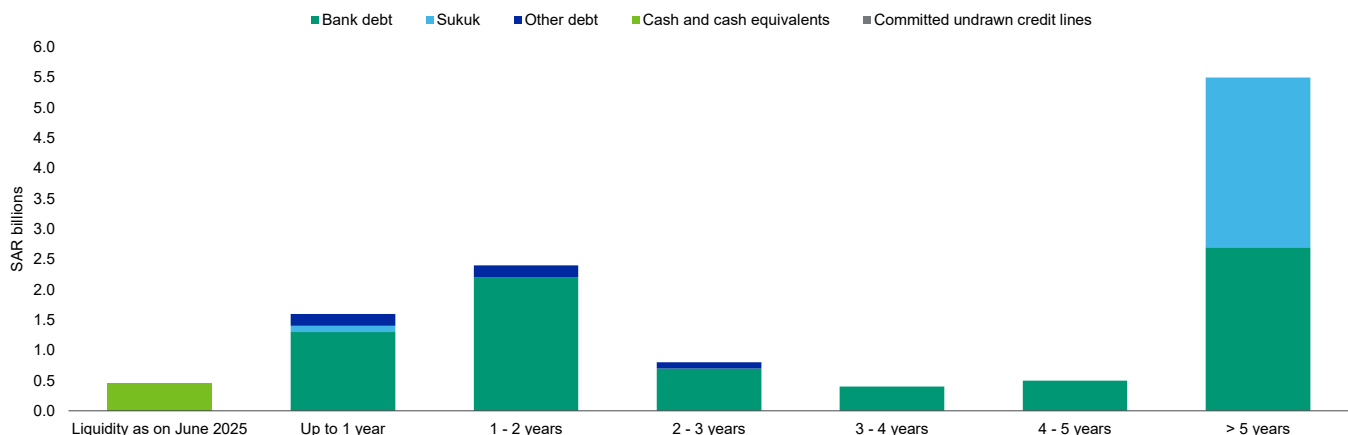
ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Almarai's liquidity is good. As of June 2025, the company had SAR459 million in cash and cash equivalents, and around SAR3.0 billion fully available under committed revolving credit facilities, all of which are maturing after 2027. Almarai has doubled its RCF size in the last one year. This, alongside expected cash flow from operations of around SAR7 billion through 2026 are sufficient to cover Almarai's net capital spending (including growth capex) of around SAR7.4 billion (SAR8.1 billion on gross basis), dividends of SAR1.0 billion and debt maturities of around SAR2.0 billion. We believe the company has the flexibility to manage its capital investment program in weak operating environment to preserve liquidity given that a large proportion of the cash outlay is earmarked for growth projects.

Exhibit 11

Debt maturity profile



As of 30 June 2025 (excluding leases).

Source: Company data

Rating methodology and scorecard factors

Exhibit 12

Almarai Company

| Consumer Packaged Goods Industry Scorecard [1][2] | | Current LTM June 30 2025 | | Moody's 12-18 Month Forward View [3] | |
|---|---------|--------------------------|--|--------------------------------------|-------|
| | Measure | Score | | Measure | Score |
| Factor 1: Scale (20%) | | | | | |
| a) Revenue (USD Billion) | 5.7 | Baa | | 6.0 - 6.5 | Baa |
| Factor 2: Business Profile (30%) | | | | | |
| a) Geographic Diversification | B | B | | B | B |
| b) Segmental Diversification | Baa | Baa | | Baa | Baa |
| c) Market Position | A | A | | A | A |
| d) Category Assessment | Baa | Baa | | Baa | Baa |
| Factor 3: Profitability (10%) | | | | | |
| a) EBITA Margin | 14.8% | Ba | | 13.8% - 14.3% | Ba |
| Factor 4: Leverage And Coverage (25%) | | | | | |
| a) Debt / EBITDA | 2.3x | A | | 2.4x | A |
| b) RCF / Net Debt | 32.1% | Baa | | 28.0% - 30.0% | Baa |
| c) EBITA / Interest Expense | 4.4x | Ba | | 3.8x - 4.0x | Ba |
| Factor 5: Financial Policy (15%) | | | | | |
| a) Financial Policy | Baa | Baa | | Baa | Baa |
| Ratings | | | | | |
| a) Scorecard-Indicated Outcome | | Baa3 | | | Baa3 |
| b) Actual Rating Assigned | | | | | Baa3 |

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of June 30, 2025(LTM)

[3] This represents Moody's Forward View; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures

Source: Moody's Financial Metrics™; Moody's Projections

Appendix

Exhibit 13

Peer comparison

| | Almarai Company Baa3 Positive | | | Danone Baa1 Stable | | | Sigma Alimentos S.A. de C.V. Baa3 Stable | | |
|--------------------------|----------------------------------|--------|--------|-----------------------|--------|--------|---|--------|--------|
| | FY | FY | LTM | FY | FY | LTM | FY | FY | LTM |
| (in \$ millions) | Dec-23 | Dec-24 | Jun-25 | Dec-23 | Dec-24 | Jun-25 | Dec-22 | Dec-23 | Jun-24 |
| Revenue | 5,218 | 5,591 | 5,708 | 29,867 | 29,621 | 29,774 | 7,425 | 8,513 | 8,790 |
| EBITA Margin | 14.5% | 15.0% | 14.8% | 13.4% | 13.0% | 13.5% | 6.0% | 7.9% | 8.8% |
| Debt / EBITDA | 2.6x | 2.2x | 2.3x | 3.7x | 3.5x | 3.4x | 3.8x | 4.6x | 4.2x |
| RCF / Net Debt | 33.9% | 35.1% | 32.1% | 16.5% | 19.3% | 20.0% | 368.4% | 282.9% | 285.9% |
| EBITA / Interest Expense | 4.0x | 4.0x | 4.4x | 6.6x | 5.5x | 6.3x | 0.2x | 0.2x | 0.2x |

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Exhibit 14

Moody's-Adjusted Debt breakdown

| (in \$ millions) | 2020 | 2021 | 2022 | 2023 | 2024 | LTM Jun-25 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| As reported debt | 3,112.8 | 2,723.0 | 2,679.1 | 3,327.7 | 2,839.1 | 3,116.1 |
| Pensions | 242.4 | 253.5 | 281.2 | 326.9 | 371.7 | 372.4 |
| Moody's-adjusted debt | 3,355.2 | 2,976.6 | 2,960.2 | 3,654.6 | 3,210.8 | 3,488.5 |

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Exhibit 15

Moody's-Adjusted EBITDA breakdown

| (in \$ millions) | 2020 | 2021 | 2022 | 2023 | 2024 | LTM Jun-25 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| As reported EBITDA | 1,231.4 | 1,111.4 | 1,242.3 | 1,383.4 | 1,453.5 | 1,478.2 |
| Pensions | 6.4 | 4.2 | 5.7 | 11.7 | 17.8 | 17.8 |
| Unusual Items | 45.3 | 34.3 | 45.6 | - | - | - |
| Non-Standard Adjustments | - | - | 0.0 | - | - | - |
| Moody's-adjusted EBITDA | 1,283.1 | 1,149.9 | 1,293.5 | 1,395.1 | 1,471.3 | 1,496.0 |

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Ratings

Exhibit 16

| Category | Moody's Rating |
|--------------------------|----------------|
| ALMARAI COMPANY | |
| Outlook | Positive |
| Issuer Rating | Baa3 |
| ALMARAI SUKUK LTD | |
| Outlook | Positive |
| Bkd Senior Unsecured | Baa3 |

Source: Moody's Ratings

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