Target Price: SAR27.0/share
Current Price: SAR25.9/share
Upside: 4.5%
Rating: Neutral

Arabian Co. for Agricultural & Industrial Invest. (Entaj)

Soft pricing, and high costs delay earnings recovery to 2027e

- Oversupply and weak absorption keep ASPs under strain; mix-led initiatives help but only support a modest 7.2% revenue CAGR over 2025-28e.
- Profitability is only expected by 2027e, underpinned by gradual ramp-up of expanded capacity, marginal price recovery, and operating leverage amid elevated finance costs.
- We set our 1-year forward TP to SAR27.0/sh. based on DCF valuation approach, implying an upside of 4.5% and Neutral rating.

Challenging market dynamics to keep pricing under check… Entaj continues to operate in a deteriorating market backdrop, with persistent oversupply and broad-based pricing pressure undermining the economics of its recent expansion. Despite doubling capacity from ~300k bpd in 2023 to 600k bpd in 2025, production rose by only 41%, lowering overall utilization as the market struggled to absorb incremental volumes. The weak demand–supply balance also eroded pricing power amid stiff competition: ASPs fell 12.8% y/y in 2025 (gross impact: SAR132.7mn, net impact: SAR50.3mn), far steeper than the declines in local fresh (-3.3%) and frozen (-2.1%) poultry, thereby limiting revenue growth for poultry segment to just 3% despite an ~18% increase in volumes. Given the ongoing poultry capacity additions by several regional players, we expect the oversupply situation to persist over the foreseeable future, limiting any meaningful pricing recovery over the near term.

…with a recovery remains gradual, aided by strategic initiatives: To overcome the current market challenges, Entaj is pursuing measures to mitigate the impact, and lift realized prices, including a partnership with JBS (Seara) to produce higher-value branded products locally and an MoU with Lulu to unlock GCC-wide distribution—both expected to contribute from 2H26. These initiatives, alongside a gradual price recovery that began in late 2025 (1Q26: fresh poultry up 0.6% and imported frozen poultry up 2.3%), should help, but their impact will be gradual and insufficient to offset structural oversupply in the near term, in our view.

Figure 1: Key financial metrics

SARmn	2023a	2024a	2025a	2026e	2027e
Revenue	1,099	1,280	1,351	1,484	1,582
Revenue growth	*6.6%*	*16.4%*	*5.6%*	*9.8%*	*6.6%*
Gross profit	230	188	127	237	264
Gross profit margin	*20.9%*	*14.7%*	*9.4%*	*16.0%*	*16.7%*
Operating profit	79	39	(69)	49	70
Operating margin	*7.1%*	*3.0%*	*-5.1%*	*3.3%*	*4.4%*
Net profit	63	27	(123)	(7)	22
Net profit growth	*-21.2%*	*-56.8%*	*NM*	*NM*	*NM*
Net profit margin	5.7%	2.1%	-9.1%	-0.4%	1.4%
EPS (SAR)	2.1	0.9	(4.1)	(0.2)	0.7
DPS (SAR)	0.0	0.5	0.0	0.0	0.0
P/E	12.4x	28.7x	*NM*	*NM*	35.4x
EV/EBITDA	11.6x	12.8x	30.4x	8.3x	7.2x

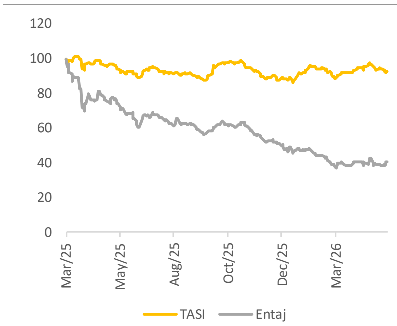
Source: Company data, GIB Capital, NM: not meaningful.

Stock data

TASI ticker	2287
Mcap (SARmn)	776
Avg. Trd. Val (3m) (SARmn)	4.2
Free float	34.9%
QFI holding	1.4%
TASI FF weight	0.01%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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Overall, we expect the ramp-up of expanded capacity to remain gradual, with a modest pricing recovery, even with the likely implementation of Saudi GAP certification for imported agricultural products from 2Q26. Consequently, we forecast a conservative revenue CAGR of 7.2% over 2025–28e.

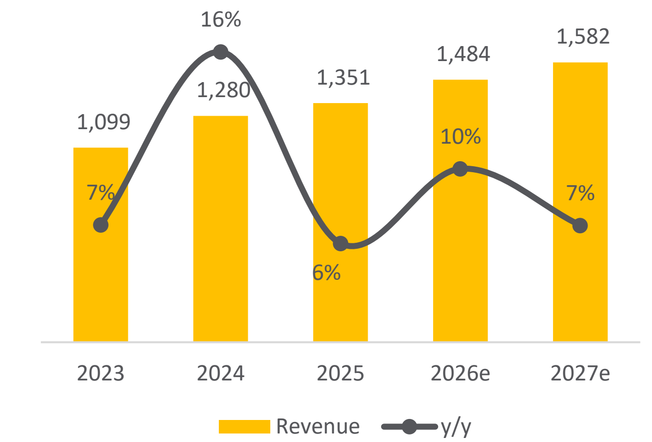
Earnings to remain weak on a gradual margin recovery and elevated OPEX: A modest pricing recovery, combined with elevated production costs during the gradual ramp-up phase, is likely to keep margins contained. While we expect a slight improvement in margins, driven by product-mix upgrades stemming from new partnerships and continued raw-material support from Arasco, the overall rebound is expected to remain limited, with gross margin forecasting to recover to ~16-17% over 2026-28e (9.4% in 2025, mainly weighed down by pricing pressure and one-offs; 14.6% on an adjusted basis for ~SAR67mn one-offs costs), although remaining below historical level of ~21-22% over 2022-23. Furthermore, we expect OPEX, which rose significantly in 2025, driven by increased manpower following the capacity expansion, to normalize gradually in 2026e, due to the absence of one-off costs and operating leverage. However, despite this improvement, we expect the bottom-line to remain under check in 2026e, before starting to improve from 2027e (turning positive to SAR22mn with 1.4% net margin), mainly due to a higher OPEX base and elevated finance costs post expansion.

Recap of FY25 results: Entaj reported revenue of SAR1.4bn in 2025, up 5.6% y/y, driven mainly by a 17.6% increase in sales volumes as it aggressively expanded market share despite sector-wide pricing pressure. However, this volume-led growth failed to translate into profitability, with gross profit declining 32.4% y/y to SAR126.8mn amid poultry market oversupply and lower average selling prices. Operating profit deteriorated further, swinging to a loss of SAR68.8mn (vs. an operating profit of SAR38.9mn in 2024), weighed down by higher promotional spending and a larger G&A cost base following capacity expansion. Consequently, the company reported a net loss of SAR123.1mn, compared with a net profit of SAR27.1mn in the prior year, further pressured by a sharp increase in finance costs.

Valuation and risks: Given weak near-term earnings performance, we value the company using only a DCF approach. Using a WACC of 10% and a terminal growth rate of 2.5%, we derive a 1-year forward target price of SAR27/share, implying an upside of 4.5% with a Neutral rating. Key downside risks include adverse changes in Govt support or self-sufficiency targets, delays in the procurement of equipment, a rise in mortality, an increase in feed costs, global recessions, supply chain issues, an increase in competition, unfavorable cost of corn and soybeans, brand dilution, entry of newer players, and weaker product demand.

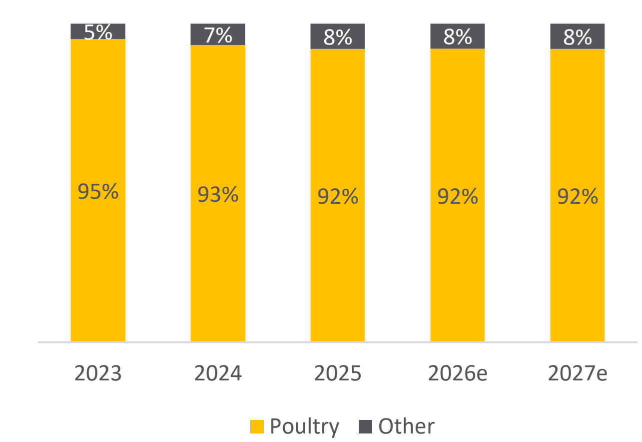
Financial analysis in charts

Figure 2: Revenue growth (SARmn)



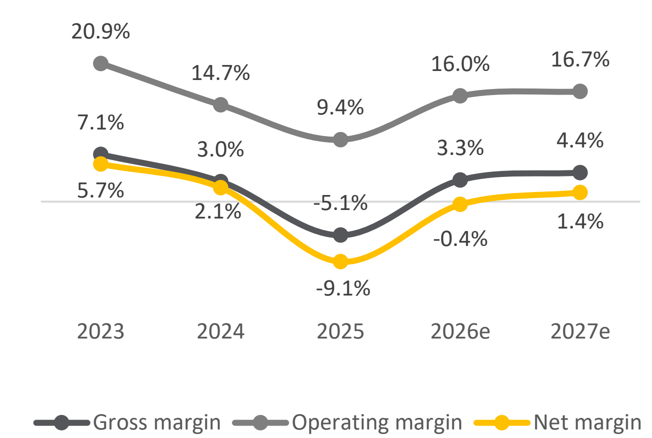
Source: Company data, GIB Capital

Figure 3: Revenue breakdown



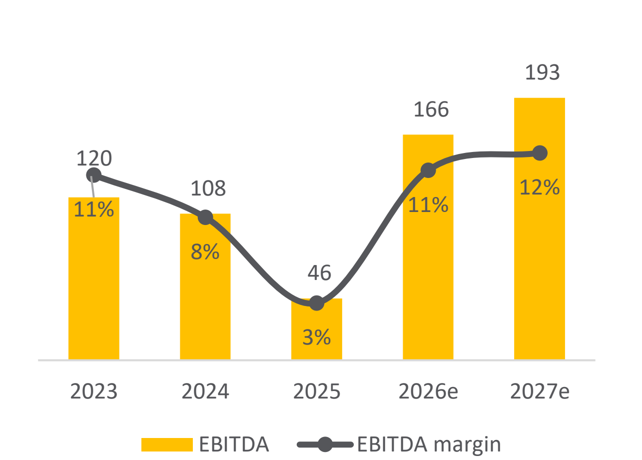
Source: Company data, GIB Capital

Figure 4: Margins trend



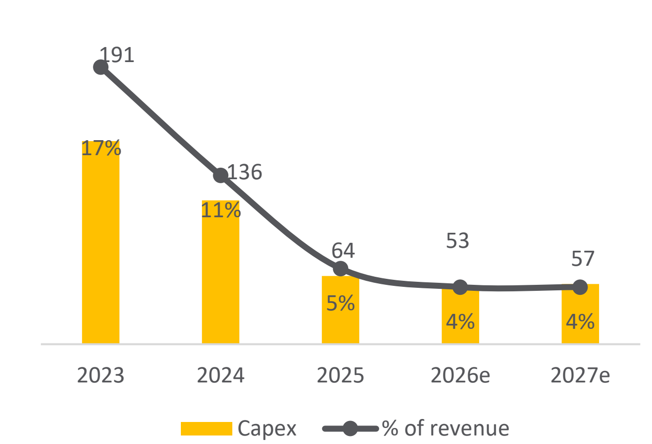
Source: Company data, GIB Capital

Figure 5: EBITDA and EBITDA margin



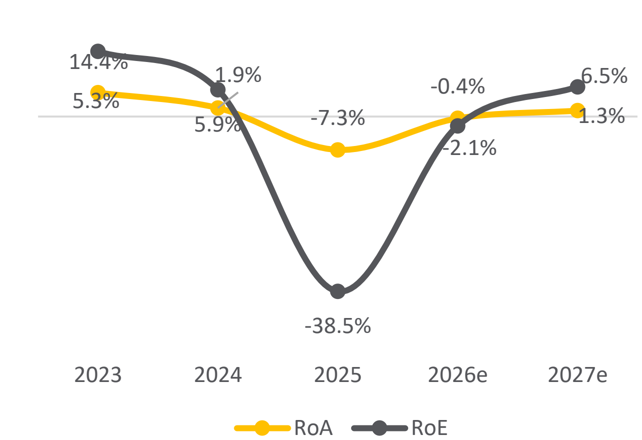
Source: Company data, GIB Capital

Figure 6: Capex (SARmn)



Source: Company data, GIB Capital

Figure 7: ROA and ROE



Source: Company data, GIB Capital

Financials

Figure 8: Financial statement

Income statement	2024	2025	2026e	2027e
Revenue	**1,280**	**1,351**	**1,484**	**1,582**
revenue y/y	*16%*	*6%*	*10%*	*7%*
COGS	(1,092)	(1,224)	(1,246)	(1,318)
Gross Profit	**188**	**127**	**237**	**264**
Gross Profit margin	*15%*	*9%*	*16%*	*17%*
Sales & Marketing	(83)	(134)	(119)	(123)
G&A	(56)	(86)	(76)	(77)
Operating profit	**39**	**(69)**	**49**	**70**
Operating margin	*3%*	*-5%*	*3%*	*4%*
Finance costs	(15)	(51)	(54)	(47)
Other income	0	21	3	3
PBT	**27**	**(120)**	**(6)**	**23**
Zakat/tax	0	4	1	1
Net income	**27**	**(123)**	**(7)**	**22**
Net margin	*2%*	*-9%*	*0%*	*1%*
y/y	*-57%*	*NM*	*NM*	*NM*
EPS	**0.9**	**(4.1)**	**(0.2)**	**0.7**
DPS	0.5	0.0	0.0	0.0
Payout	55%	0%	0%	0%
EBITDA	**108**	**46**	**166**	**193**
Net Debt (w/o IFRS liab.)	495	575	533	482
Net Debt (w/ IFRS liab.)	600	834	795	742

Source: Company data, GIB Capital, NM: not meaningful.

Balance Sheet	2024	2025	2026e	2027e
Trade receivables	138	167	163	169
Inventories	117	171	137	137
Biological assets	66	86	74	79
Cash and cash equivalents	33	20	21	105
Total Current Assets	**380**	**480**	**427**	**525**
Property, plant and equipment	925	917	904	892
Right-of-use assets	107	252	251	246
Total Non-Current Assets	**1,056**	**1,200**	**1,185**	**1,168**
Total Assets	**1,436**	**1,680**	**1,612**	**1,693**
Current Liabilities	356	590	655	645
Non-current Liabilities	619	770	644	713
Equity	461	320	313	335
Total Equity and Liabilities	**1,436**	**1,680**	**1,612**	**1,693**
BVPS	47.9	56.0	53.7	56.4

Cashflow	2024	2025	2026e	2027e
Cashflow from Operations	92	82	196	206
Cashflow from Investing	(122)	(65)	(53)	(57)
Cashflow from Financing	41	(31)	(142)	(65)
Total Cashflows	**10**	**(13)**	**0**	**84**

Source: Company data, GIB Capital

Figure 9: Key ratios

Key ratios	2024	2025	2026e	2027e
Profitability ratios				
RoA	2%	-7%	0%	1%
RoE	6%	-38%	-2%	7%
Sales/Assets	89%	80%	92%	93%
Net margin	2%	-9%	0%	1%
Liquidity ratios				
Current Assets/ Current Liabilities	1.1	0.8	0.7	0.8
Inventory days	39	51	40	38
Receivable Days	39	45	40	39
Payable days	51	90	80	80
Cash conversion cycle	27	6	0	-3
Debt ratios				
Net Debt/EBITDA (w/o IFRS liab.)	4.6	12.6	3.2	2.5
Net Debt/EBITDA (w/ IFRS liab.)	5.6	18.3	4.8	3.8
Debt/Assets (w/o IFRS liab.)	0.4	0.4	0.3	0.3
Valuation ratios				
P/E	28.7	NM	NM	35.4
P/B	0.5	0.5	0.5	0.5
EV/EBITDA	12.8	30.4	8.3	7.2
Div. yield	1.9%	0.0%	0.0%	0.0%

Source: Company data, GIB Capital, NM: not meaningful.

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