July 2026

Modern Mills for Food Products Co.

Results Flash Note Q2-26

Earnings in line with expectations; strong topline growth partly offset by higher OPEX and finance costs

Modern mills reported net income of SAR 53mn in Q2-26 up 7.6% Y/Y, earnings were in line with AJBC estimate and market consensus forecast of SAR 52mn and SAR 54mn, respectively. Net income growth was driven by higher sales, which were up 19.6% Y/Y to SAR 297mn, on the back of volume increase across three main segments, improved product mix in flour and higher selling prices across bran and feed. Gross profit expanded by 13.6% Y/Y (-5.3% Q/Q) to SAR 103mn in Q2-26, deviation of +12.0% to AJBC estimate of SAR 92mn. The magnitude of operating profit growth was much less than gross income expansion; operating profit expanded by 10.7% Y/Y (-16.2% on a sequential basis). Overall, the stock trades at a 2026e PE of 11.4x, which is a steep discount to Saudi food and beverage sector PE of 19.0x. Even on our worst-case scenario (complete abolishment of subsidy and no price limit) earnings estimate of SAR 2.0 per share, the company trades at an attractive PE of 14.3x.

- **Modern mills reported net income** of SAR 53mn in Q2-26 up 7.6% Y/Y (down 18.9% on a sequential basis). Earnings were in line with AJBC estimate and market consensus forecast of SAR 52mn (+2% deviation) and SAR 54mn (-1.1% deviation) respectively. Net income growth was driven by higher sales, which were slightly offset by higher operating expenses and finance costs.
- **Revenues** grew by 19.6% Y/Y and 5.6% Q/Q (+14.8% deviation to AJBC estimate) to SAR 297mn, on the back of volume increase across three main segments, improved product mix in flour and higher selling prices across bran and feed.
- **Gross profit** expanded by 13.6% Y/Y (-5.3% Q/Q) to SAR 103mn in Q2-26, deviation of +12.0% to AJBC estimate of SAR 92mn. Gross margins decreased by 184bps Y/Y (-398bps Q/Q) to 34.7% in Q2-26; as compared to AJBC estimate of 35.5%.
- **Operating profit** growth was much less than gross income expansion; operating profit expanded by 10.7% Y/Y (-16.2% on a sequential basis). The deviation to AJBC estimate at operating level was just +2.1%. Operating margin contracted by 172bps Y/Y and 558bps (on a sequential basis), respectively, to 21.4% in Q2-26 (-265bps deviation to AJBC estimate). Lower margins can be attributed to higher selling and distribution expenses as new capacities would likely cater geographies that are far from the plants.

AJBC view and valuation: Modern mills has shown very strong revenue momentum in Q2-26; the stock trades at a 2026e PE of 11.4x, which is a steep discount to Saudi food and beverage sector PE of 19.0x. Even on our worst-case scenario (complete abolishment of subsidy and no price limit) earnings estimate of SAR 2.0 per share, the company trades at a PE of 14.3x. Our liking for the stock is accentuated by the upcoming feed factory and recently announced food ingredients factory. Hence, we maintain our '**Overweight**' rating on the stock with an unchanged TP of **SAR 37.9 per share**, which implies an upside of 32.7%.

Results Summary

SAR mn	Q2-25	Q1-26	Q2-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	248	281	297	19.6%	5.6%	14.8%
Gross profit	91	109	103	13.6%	-5.3%	12.0%
Gross margin	36.5%	38.6%	34.7%	-	-	-
EBIT	57	76	64	10.7%	-16.2%	2.1%
Net profit	50	66	53	7.6%	-18.9%	2.0%
EPS	0.61	0.81	0.65	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	Overweight
Target Price (SAR)	37.9
Upside / (Downside)*	32.7%

Source: Tadawul *prices as of 23rd of July 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenue	939	1,015	1,047
Growth %	-4.0%	8.1%	3.1%
Gross Profit	346	388	391
EBIT	254	259	258
Net Profit	202	209	224
Growth %	-13.4%	6.4%	4.2%
EPS	2.47	2.55	2.73
DPS	1.0	2.0	1.98

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	36.8%	38.2%	37.4%
EBIT Margin	27.0%	25.5%	24.7%
Net Margin	21.5%	20.6%	21.4%
P/E (x)	-	16.1	10.4
P/B (x)	-	12.8	7.3
EV/EBITDA (x)	-	8.9	12.0
Div Yield (%)	-	4.9%	6.9%

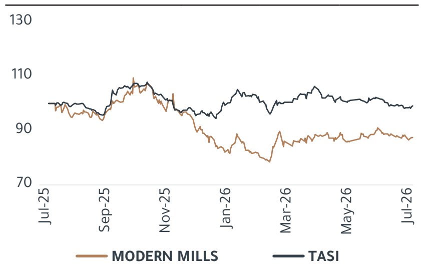
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	2.3
YTD%	-0.28%
52 week (High)/(Low)	35.7/24.9
Share Outstanding (mn)	81.8

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH DIVISION

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RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.