

## Aleid Foods

### Attractive growth stock at a 45% discount to peers

- Aleid is a leading food distributor in Kuwait with sustainable sales growth (+5% p.a. pre-COVID) and stable margins (16%/12% gross/EBITDA margin over the past 5 years).
- Vertical integration further boosts topline growth and enhances margins. Expect 22% sales CAGR and 150bps aggregate margin expansion over FY 21-24e
- Regional expansion into UAE and KSA is a main driver of topline growth going forward, adding >20% to revenues starting FY 24e.
- At 13.8/11.1x FY 22/23e P/E, Aleid trades at a 45% discount to MENA F&B names despite offering (i) stronger growth prospects (28% FY 21-24e EPS CAGR vs. 14% for peers ex. Savola), (ii) better returns (RoE/RoIC of 11%/9% vs. 8%/7% for peers), and (iii) a similar DY of 2%.

**Significant distributor in the MENA consumer space that recently restructured into a vertically integrated business model.** Aleid currently operates in Kuwait through three lines of business: (i) distribution, which was their main and only LoB pre-2021. This arm represented 90% of revenues as of FY 21A and sells a broad suite of home branded and international food products across Kuwait. The main product categories are frozen poultry, meat & seafood (57% of distribution revenues), rice, pulses, spices and nuts (17%), and frozen fries and vegetables (4%); (ii) subsidiaries (7% of FY 21A revenues), which was recently established and includes Honey World (acquired company) and Legion Foods (established by Aleid to serve HORECA sector); (iii) branches, which includes production of Aleid's innovative products to meet local market needs; 3% of FY 21A revenues.

**Vertical integration drives Kuwait's business to grow at a 15% CAGR over the next 3 years.** We look for continued 5% annual growth in distribution revenues on a mix of volume and pricing. We expect new segments (subsidiaries & branches) to double in FY 22e, grow by 40% in FY 23e, +20% in FY 24e, and an average of +10% thereafter, as per management guidance. All in all, Kuwait business is expected to grow at 15% CAGR over FY 21-24e, contributing c.53% to total sales growth.

**Regional expansion into UAE and KSA is another main driver of topline growth.** Aleid is looking to strengthen its position in the Gulf, with expansions in UAE and KSA, and potentially dually listing there in the future. Contribution from UAE business should begin in FY 22e and represent c.5% of revenues, growing exponentially to reach >20% of revenues by FY 24e, as per management guidance. Regional business should contribute c.47% of total sales growth. We model for 22% sales growth over FY 21-24e, with margins expanding by an aggregate 150bps on a larger contribution from new high-margin LoB. This filters through to 28% earnings CAGR over the next 3 years, with earnings to double by FY 24e, in line with management's targets.

**Initiate with a Buy.** Our fair value estimate implies FY 22/23e P/E of 18.2/14.7x, still at a 25% discount to GCC staples given that most of them are in Saudi; benefitting from a larger market, strong tourism and government support. We initiate with Buy on high growth (28% EPS CAGR), solid margins and returns.

BUY

KWd 313

#### Food, Beverage, & Tobacco / Kuwait

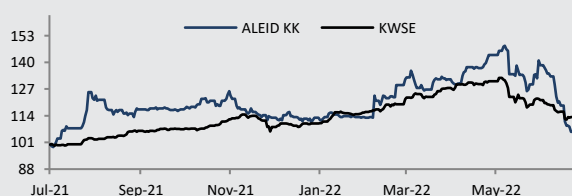
Bloomberg code	ALEID KK
Market index	KWSE
Target Price	313
Upside (%)	23.4

#### Market data 8/1/2022

Last closing price	254.0
52 Week range	215.0-304.3
Market cap (KWD m)	43
Market cap (USD m)	140
Average Daily Traded Value (KWD m)	220.0
Average Daily Traded Value (USD m)	717.4
Free float (%)	49%

Year-end (local '000)	2021	2022e	2023e	2024e
Revenues	22,863	27,843	33,784	41,818
EBITDA	3,017	3,849	4,700	6,002
Net income	2,250	2,917	3,614	4,698
EPS	13.30	17.24	21.36	27.77
EPS growth (%)	43.0	29.7	23.9	30.0
P/E (current price)	17.9	13.8	11.1	8.6
DPS	4.17	4.62	5.72	7.44
Div. yield (%)	1.8	1.9	2.4	3.1
FCF/share	11.2	10.1	13.2	13.8
FCF yield (%)	4.7	4.2	5.5	5.8
CAPEX	339	278	338	418
CAPEX/sales (%)	1.5	1.0	1.0	1.0
Net Debt/EBITDA (x)	1.7	1.4	1.1	1.0
EV/EBITDA (x)	15.2	11.9	9.7	7.6
RoAE (%)	10.6	12.5	13.9	16.0
RoIC (%)	8.5	10.2	11.5	13.3

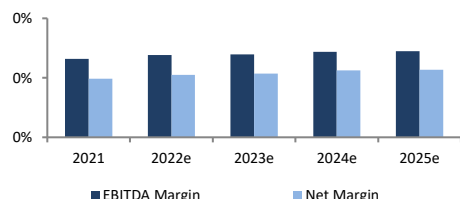
#### Price Performance



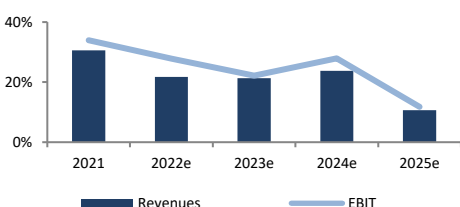
## Abacus

### Arqaam Capital Fundamental Data

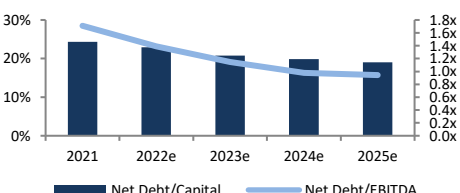
#### Profitability



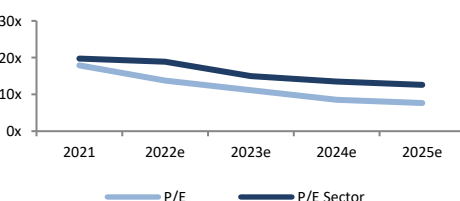
#### Growth



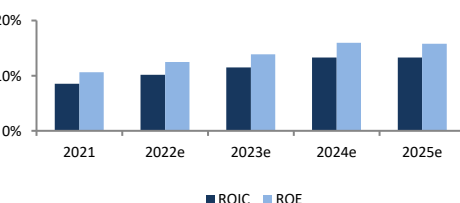
#### Gearing



#### Valuation



#### Return



## AL-EID FOOD KSC

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Financial summary</b>						
Reported EPS	9.30	13.30	17.24	21.36	27.77	31.09
Diluted EPS	9.30	13.30	17.24	21.36	27.77	31.09
DPS	-	4.17	4.62	5.72	7.44	8.33
BVPS	115.23	125.43	138.06	153.69	174.02	196.78
Weighted average shares	-	-	-	-	-	-
Average market cap	-	-	-	-	-	-

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Valuation metrics</b>						
P/E (x) (current price)	25.6	17.9	13.8	11.1	8.6	7.7
P/E (x) (target price)	33.7	23.6	18.2	14.7	11.3	10.1
EV/EBITDA (x) (current price)	20.3	15.2	11.9	9.7	7.6	6.8
EV/EBITDA (x) (target price)	30.0	22.5	17.6	14.4	11.3	10.1
EV/FCF (x)	51.8	24.2	26.8	20.5	19.6	16.7
Free cash flow yield (%)	2.2	4.7	4.2	5.5	5.8	6.8
Dividend yield (%)	-	1.8	1.9	2.4	3.1	3.5

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Growth (%)</b>						
Revenues	(2.1)	30.6	21.8	21.3	23.8	10.6
EBITDA	2.4	33.5	27.6	22.1	27.7	11.7
EBIT	2.6	34.0	27.9	22.2	27.9	11.8
Net income	4.2	43.0	29.7	23.9	30.0	12.0

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Margins (%)</b>						
EBITDA	12.9	13.2	13.8	13.9	14.4	14.5
EBIT	12.1	12.4	13.0	13.1	13.6	13.7
Net	9.0	9.8	10.5	10.7	11.2	11.4

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Returns (%)</b>						
RoAA	5.9	7.9	9.3	10.5	12.0	12.0
RoAE	8.1	10.6	12.5	13.9	16.0	15.8
RoIC	6.3	8.5	10.2	11.5	13.3	13.3
FCF margin	2.2	4.7	4.2	5.5	5.8	6.8

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Gearing (%)</b>						
Net debt/Capital	21.2	18.7	17.7	16.1	15.5	14.9
Net debt/Equity	27.9	24.3	22.9	20.8	19.9	19.0
Interest cover (x)	4.5	5.9	6.3	6.8	7.5	7.6
Net debt/EBITDA (x)	2.4	1.7	1.4	1.1	1.0	0.9

**Abacus** Arqaam Capital Fundamental Data

## Company profile

Aleid Food Company was established as a family owned business in 1994 by Al-Mutairi family for the purpose of importing, selling, packaging and distributing food and consumer goods. It became a KSC shareholding company in 2004 in preparation to list on the Boursa Kuwait (which took place in 2008) and to support future expansion plans.

In 2020, Aleid Foods embarked on a restructuring plan that saw it expand its business lines from just distribution to a vertically integrated business model (adding subsidiaries and branches). From the first year of launching these new segments, Aleid saw sales and net profit jump 31% and 43% y/y, respectively (vs. its historical +4-6% growth annually). The company is also looking to expand in the UAE and KSA markets starting FY 22e. Expansion of these new high-margin business lines, increased geographical presence, along with sustainable 5% growth in distribution business should drive sales/EPS CAGR of 22%/28% y/y over the next 3 years.

### Ownership structure

Dalqan Group Holding	51%
Adeeb Abdulwahab Abdulaziz Alothman	5%
Free float	44%

### Board of Directors

Fahad Saud Merdhi Almutairi	Chairman
Abdullah Saud Merdhi Almutairi	Vice Chairman
Mohamed Saud Merdhi Almutairi	CEO
Muhammad Taha Abdul Rahman	Director
Bassam Abdul Rahman Al-Badawi	Director

## AL-EID FOOD KSC

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Income statement (KWD000)</b>						
Sales revenue	17,502	22,863	27,843	33,784	41,818	46,254
Cost of sales	(14,753)	(19,131)	(23,159)	(27,982)	(34,365)	(37,917)
<b>Gross profit</b>	<b>2,750</b>	<b>3,732</b>	<b>4,684</b>	<b>5,802</b>	<b>7,453</b>	<b>8,336</b>
SG&A	(560)	(814)	(992)	(1,250)	(1,589)	(1,758)
<b>EBITDA</b>	<b>2,260</b>	<b>3,017</b>	<b>3,849</b>	<b>4,700</b>	<b>6,002</b>	<b>6,704</b>
Depreciation	142	179	221	268	332	367
<b>EBIT</b>	<b>2,118</b>	<b>2,837</b>	<b>3,628</b>	<b>4,432</b>	<b>5,670</b>	<b>6,338</b>
Interest expense	(471)	(485)	(574)	(650)	(753)	(833)
Share of results of associates & JV	-	-	-	-	-	-
Profit before tax	1,647	2,352	3,053	3,782	4,917	5,505
Taxes	(73)	(103)	(136)	(168)	(219)	(245)
<b>Other post-tax income/(expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net profit (group)	1,573	2,250	2,917	3,614	4,698	5,260
Minorities	-	-	-	-	-	-
<b>Net profit (parent)</b>	<b>1,573</b>	<b>2,250</b>	<b>2,917</b>	<b>3,614</b>	<b>4,698</b>	<b>5,260</b>
Arqaam adjustments (including dilution)	-	-	-	-	-	-
<b>Arqaam Net profit</b>	<b>1,573</b>	<b>2,250</b>	<b>2,917</b>	<b>3,614</b>	<b>4,698</b>	<b>5,260</b>

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Balance sheet (KWD000)</b>						
Cash and equivalents	812	1,183	1,601	2,034	2,506	2,927
Receivables	13,978	14,132	15,866	17,401	19,652	22,050
Inventories	11,432	12,556	13,197	14,413	16,149	18,076
Tangible fixed assets	312	489	547	617	703	799
Other assets including goodwill	62	110	110	110	110	110
<b>Total assets</b>	<b>26,596</b>	<b>28,470</b>	<b>31,321</b>	<b>34,574</b>	<b>39,121</b>	<b>43,961</b>
Payables	524	554	650	785	961	1,063
Interest bearing debt	6,260	6,340	6,961	7,432	8,364	9,251
Other liabilities	316	352	352	352	352	352
<b>Total liabilities</b>	<b>7,100</b>	<b>7,247</b>	<b>7,962</b>	<b>8,569</b>	<b>9,677</b>	<b>10,666</b>
Shareholders equity	19,496	21,223	23,359	26,005	29,444	33,295
Minorities	-	-	-	-	-	-
<b>Total liabilities &amp; shareholders equity</b>	<b>26,596</b>	<b>28,470</b>	<b>31,321</b>	<b>34,574</b>	<b>39,121</b>	<b>43,961</b>

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Cash flow (KWD000)</b>						
<b>Cashflow from operations</b>	<b>473</b>	<b>1,742</b>	<b>1,432</b>	<b>1,917</b>	<b>1,971</b>	<b>2,238</b>
Net capex	-	(339)	(278)	(338)	(418)	(463)
<b>Free cash flow</b>	<b>883</b>	<b>1,893</b>	<b>1,708</b>	<b>2,229</b>	<b>2,338</b>	<b>2,736</b>
Equity raised/(bought back)	-	-	-	-	-	-
Dividends paid	-	(603)	(782)	(968)	(1,259)	(1,409)
Net inc/(dec) in borrowings	249	81	620	472	931	887
Other investing/financing cash flows	(471)	(485)	(574)	(650)	(753)	(833)
<b>Net cash flow</b>	<b>250</b>	<b>351</b>	<b>418</b>	<b>433</b>	<b>473</b>	<b>421</b>
Change in working capital	(1,738)	(1,208)	(2,280)	(2,615)	(3,812)	(4,222)

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## We initiate coverage of Aleid Foods with a TP of KWd 313

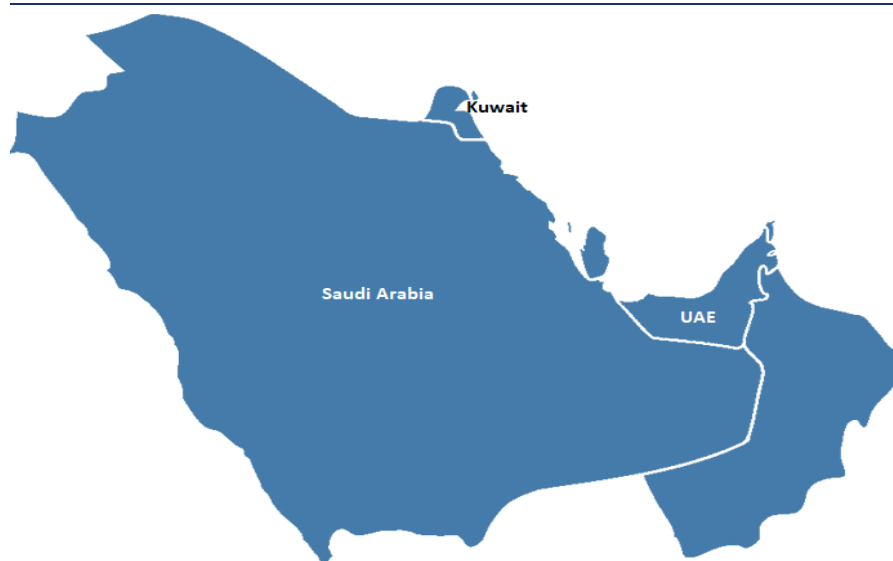
**Vertical integration and regional expansion to boost earnings momentum, while the distribution business is a hedge against market volatility.**

**Aleid Foods began as a small family-run importer and supplier of consumer goods for the local Kuwaiti food retail rector in the 1990s**, and has since built itself into one of Kuwait's largest diversified consumer goods businesses. Aleid currently engages in food manufacturing and distribution in Kuwait, with a focus on the frozen foods category (60% of distribution revenues). The company plans to enter the UAE and KSA retail markets in 2022, aiming to contribute >20% of revenues in 3 years.

**Core business lines can be delineated into three major segments:** (i) **distribution**, which encompasses importing, selling, packaging, and distributing food and consumer goods. The main food categories are frozen poultry, meat & seafood (57% of distribution revenues), rice, pulses, spices and nuts (17%), and frozen fries and vegetables (4%); (ii) **subsidiaries**, which is a new segment, represented 7% of FY 21A revenues, and includes Honey World (an acquired company which specializes in trading and importing of honey) and Legion Foods (established by Aleid to serve HORECA sector); (iii) **branches**, which includes production of Aleid's innovative products to meet local market needs; 3% of FY 21A revenues.

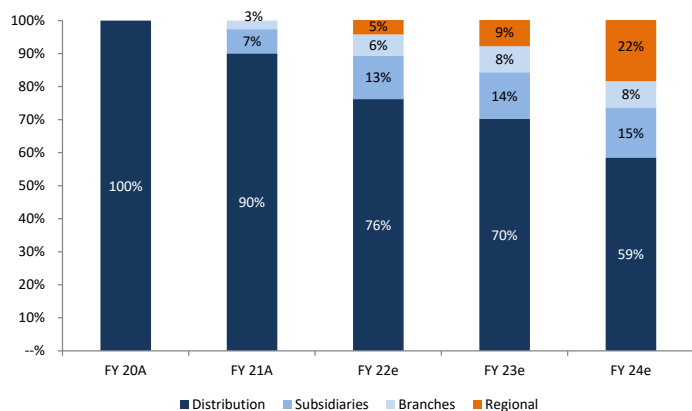
**Regional expansion provides the next leg for growth.** Aleid has put emphasis on its regional expansion strategy Goals\_25, which aims for Gulf market expansion and the presence in dynamic and influential cities. They began implementation of the strategy by opening the company office in Dubai last May, mainly to import and re-export foods with specifications matching the Gulf markets. They then followed with the establishment of a Riyadh-based company in July, Aqtar Al Khaleej, to be the outset of the company's operational expansion within KSA. The Saudi market is the region's largest (represents almost 60% of total food consumption in the GCC), and one of the fastest growing (+6% annually). We expect regional sales to contribute 5% of FY 21A and witness significant growth to reach >20% of revenues by FY 24e.

### Exhibit 1: Aleid Foods: GCC footprint



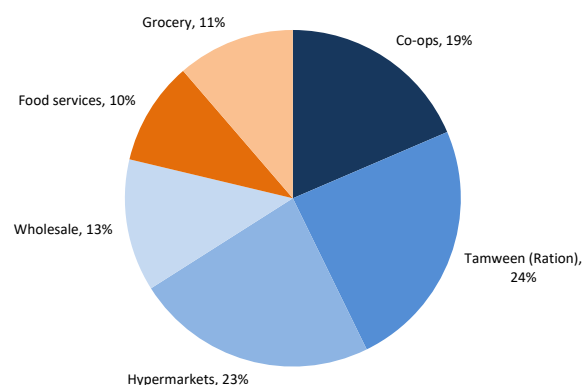
Source: Company Data, Arqaam Capital Research

**Exhibit 2: Revenue breakdown by segment**



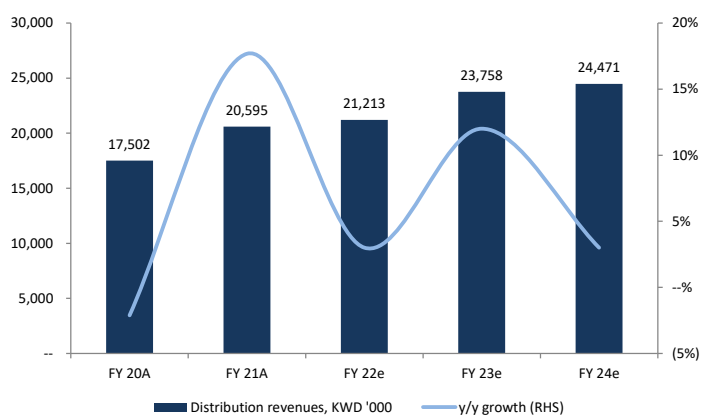
Source: Company Data, Arqaam Capital Research

**Exhibit 3: Revenue breakdown by channel**



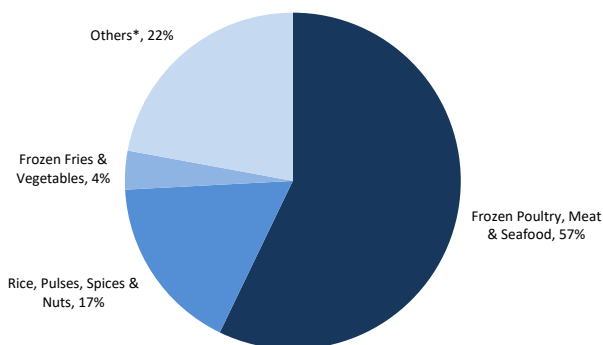
Source: Company Data, Arqaam Capital Research

**Exhibit 4: Distribution revenues**



Source: Company Data, Arqaam Capital Research

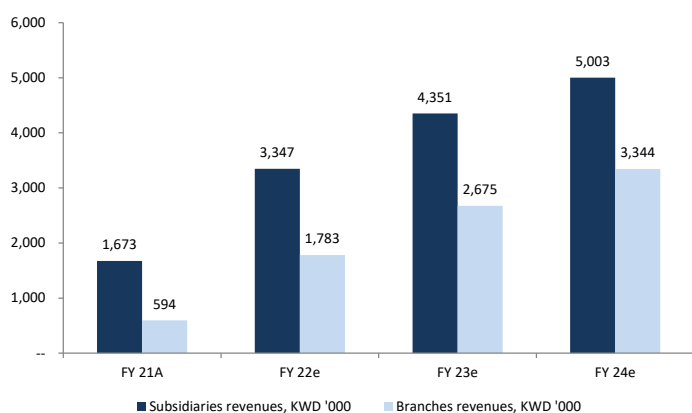
**Exhibit 5: Distribution breakdown by food category**



Source: Company Data, Arqaam Capital Research

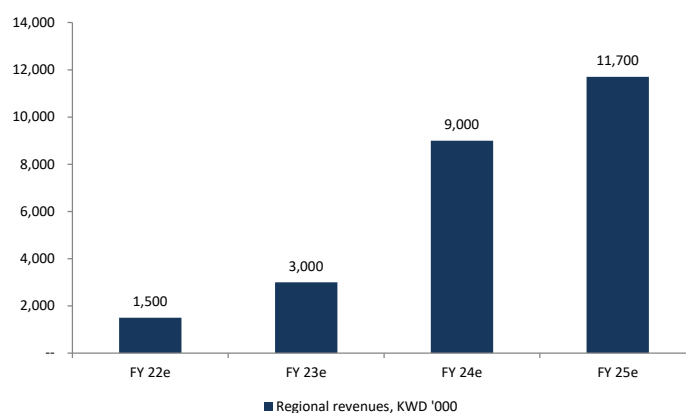
\*Includes mixed categories

**Exhibit 6: Subsidiaries & branches revenues**



Source: Company Data, Arqaam Capital Research

**Exhibit 7: Regional revenues**



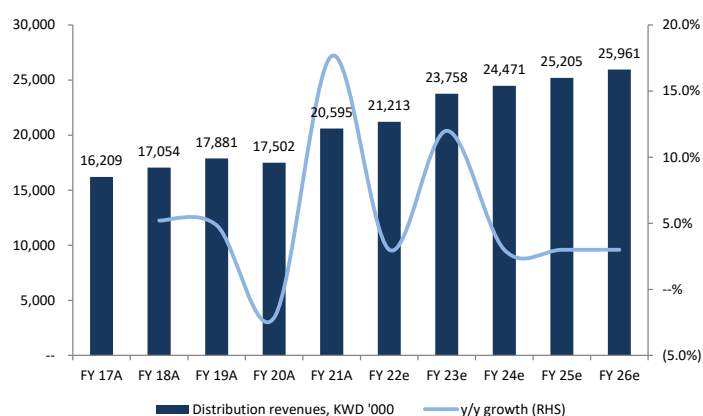
Source: Company Data, Arqaam Capital Research

## Distribution

**The Distribution division is Aleid Foods' first and largest segment, it includes the distribution of local and international brands across Kuwait.** The main category within distribution is frozen poultry, meat & seafood (57% of distribution revenues), with the main brands being Zeina by JBS Brazil, MHP Ukraine, and An Noor (Russia). Followed by rice, pulses, spices, and nuts (17% of distribution revenues) which are sold in bulk to customers like Lulu, Grand Nesto, Oncost, TSC, Co-ops and mills shops, and rice is sold under the Alwaha brand. Aleid also sells frozen fries and vegetables (4% of distribution revenues) with the main brand being Farm Frites, as well as several other brands under mixed categories (22% of distribution revenues: sauces, snacks, confectionery, butter, etc).

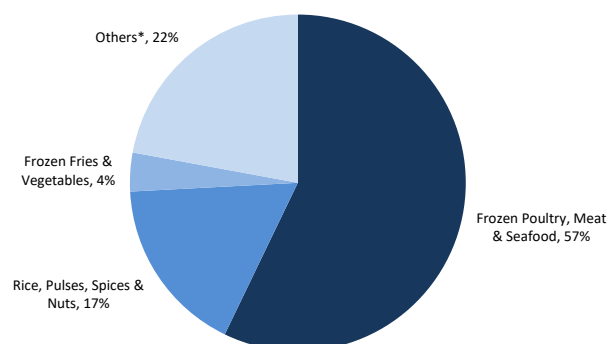
**Aleid's distribution segment accounted for 90% of FY 21A revenues, growing at 6% CAGR over FY 17-21A.** Aleid's retail coverage includes 100% of the main co-ops, partial coverage of co-op branches (40% coverage), all hyper/super & mini markets, and 50% of lower trade channels (groceries, wholesale and self-service). A couple of years ago, the company started shifting away from retail into foodservice, as competition and pricing pressure from distributors is intensifying in the retail space, and it carries high overhead expenses. Currently, Aleid distributes 50% to retail and 50% to the foodservice channels. In line with its historical trajectory, we expect distribution revenues to grow at a 5% CAGR over FY 21-26e (a 2.5x multiple of population growth), supported by a mix of volume and pricing, as the company continues to add more products to its portfolio via the signing of exclusive distribution rights. The latest additions were Freshly (frozen, high-quality beef, poultry, and seafood), Alkazi (dairy & cheese products), and Bnt Mnahi (Frozen pre-prepared airfryer speciality meals)

**Exhibit 8: Distribution to grow at 5% CAGR over 21-26e**



Source: Company Data, Arqaam Capital Research

**Exhibit 9: Distribution breakdown by food category**



Source: Company Data, Arqaam Capital Research

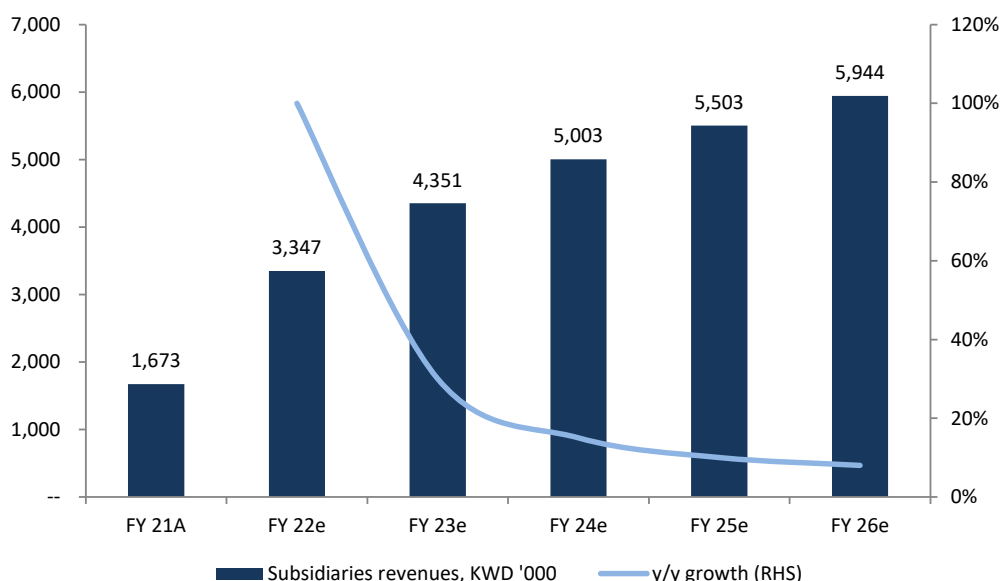
\*Includes mixed categories

## Subsidiaries

**Aleid currently has three subsidiary companies, which were part of the restructuring process carried out in FY 21A, they are:** (i) Honey World which is an established Kuwaiti company and specializes in trading and importing of honey from the best sources, Like Yemen, Asia, and Africa. The company has three brands: “Suqatri” for premium honey, “Kunooz Alnahal” and “Alwaha” which include various range of products; and (ii) Legion Foods, which was established by Aleid to provide food products and services to the HORECA sector, as well as catering, franchise brands and specialty cuisine. Its main product lines are poultry, beef, and seafood. (iii) Brunch Company that has innovative food brands managed with special operation standards classified into five main production lines including firstly XO Street Food, offering a wide variety of high-quality street food dishes from around the world, secondly Como, which specializes in the Italian cuisine for parties and special occasions, thirdly, in addition to Vereen for specialty bakeries, Zereshk for traditional Persian food with special international flavors, and The Brunch, for healthy meals and beverages.

**Expect 2x y/y growth in FY 22e, and 15% CAGR going forward.** Given that both subsidiaries were established/acquired near mid-2021 and contributed KWD 1.7m in FY 21A (7% of revenues), we expect revenues to double in FY 22e, contributing 13% of revenues. Beyond that, we model for a 15% CAGR over FY 22-26e mainly on the expansion of both businesses, leveraging on Aleid Foods’ solid sourcing network, strong sales capabilities, efficient distribution infrastructure, and solid business relationships with some of Kuwait’s leading food companies and brands.

**Exhibit 10: Subsidiaries' revenues to double in FY 22e, +15% CAGR going forward**

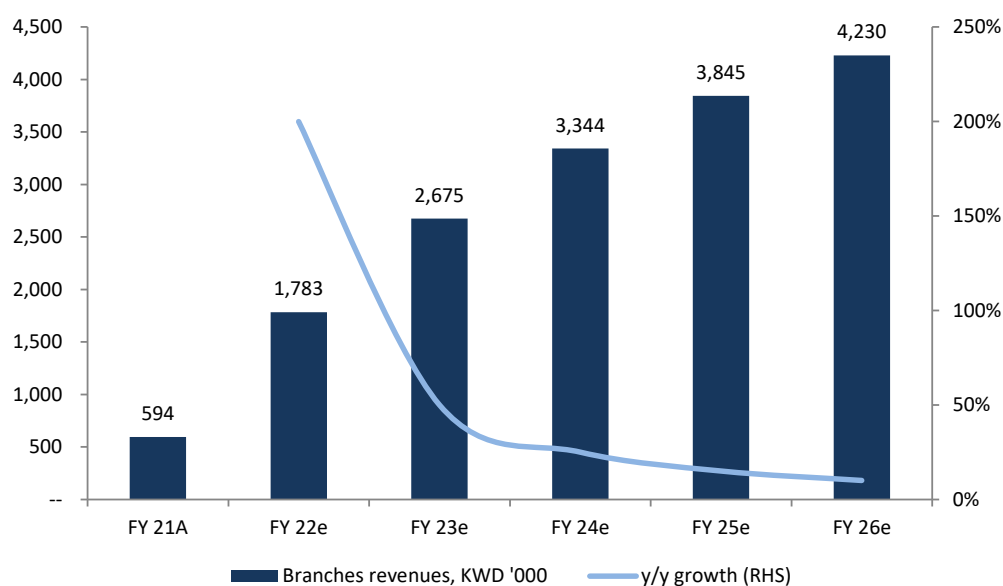


Source: Company Data, Arqaam Capital Research

## Branches

**As part of Aleid's transformation into a vertically integrated business model, it established its branches** to take on the production of private labels in accordance with the highest quality standards, meeting the aspirations of the brand owners and the local market's needs for innovative food products and advanced services. Aleid established three branches: (i) The Food Supply Center ; (ii) The Central & Sweets Bakery; and (iii) The Roastery & Mill Center. Growth prospects for branches are immense, as they can introduce their own labels (like Morena chocolates) or take on production of other local/international private labels. As such, we expect branch revenues to witness relatively faster growth (than subsidiaries), with revenues tripling in FY 22e (6% of revenues) and growing at 25% CAGR beyond that.

**Exhibit 11: Branches revenues to triple in FY 22e, +25% CAGR going forward**



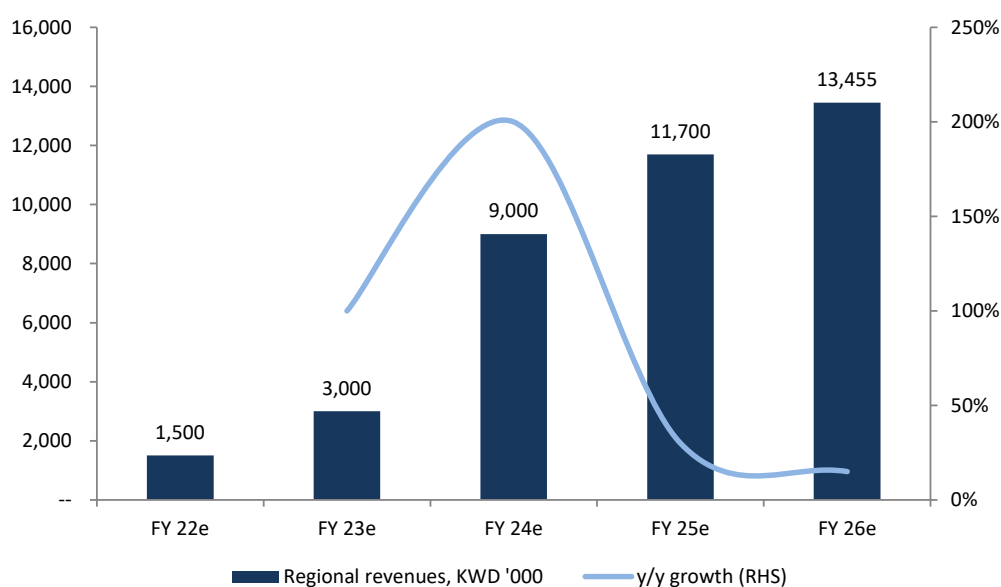
Source: Company Data, Arqaam Capital Research



## Regional

**Gulf market expansion starting with Saudi, a path paved with gold.** Following the establishment of an import and re-export office in Dubai, Aleid established a Riyadh-based company just a week ago, Aqtar Al Khaleej, to be the outset of the company's operational expansion within KSA. The F&B industry in KSA is the largest in the Middle East and is valued at >USD 45bn. The Saudi Arabian General Authority for Investment (SAGIA) forecasts that spending on foodservice will grow by 6% per annum over the next five years (vs. 9% for Kuwait). As the population reached about 35m by the end of 2021, Saudi now holds the largest domestic F&B market in the GCC. This, coupled with the rapidly changing demographics, including a larger young population with high disposable income, and expansion of the tourism and entertainment industry, is expected to result in a huge shift in the retail and F&B landscape as part of the government's modernization and economic diversification efforts.

**Exhibit 12: Regional revenues to double in FY 23e, triple in FY 24e, before settling at 20% CAGR beyond that**



Source: Company Data, Arqaam Capital Research

## Kuwait F&B industry is set for further growth

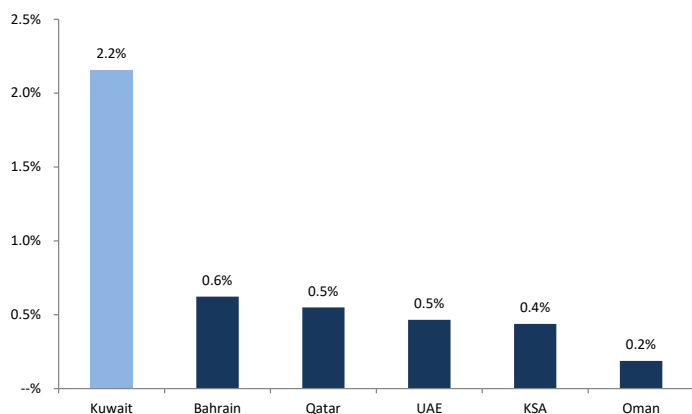
**Demand growth is fueled by an increasing population, rising disposable incomes, and constantly shifting trends amongst consumers.**

**Kuwait currently has the fastest growth rate for food consumption in the GCC, with the sector expected to grow by 9.6% per annum over the next five to ten years.** The Kuwait F&B industry has gained much attention in the recent past. The increasing population, better income, and changing demographics are some of the forces supporting this industry. The pandemic and the country's Kuwaitization program have led to a sharp decline in the numbers of foreigners living in Kuwait (250k left in 2021 alone). This has certainly impacted spending patterns across various income groups in the country, but with more Kuwaitis entering the workforce, it is expected that spending among locals will improve. Further influencing retail spending patterns is the positive economic situation that subsists in Kuwait, with consistently positive GDP growth despite the impact of the global oil price slump and the COVID-19 pandemic in 2019 and 2020.

**The grocery and food retail segment in Kuwait** is divided between government-run cooperatives (co-ops), private sector supermarkets and hypermarkets, and small, informal grocery shops. Co-ops are managed and regulated via the Union of Consumers Cooperative Societies (UCCS), and they account for an estimated 55-65% of food sales. This enduring predominance is driven by a long history of government-subsidized prices and customer loyalty, particularly among the country's Kuwaiti population. As a result, levels of penetration of privately owned hyper- and supermarket chains in Kuwait are the lowest in the GCC (just 20% of the groceries landscape). For brands (local or international) to get their products on the shelves, they need to first register with the UCCS. Presence in co-ops is crucial for a brand's success, and currently, the main way to access the co-ops is via a local partner (like Aleid), who has access to this channel.

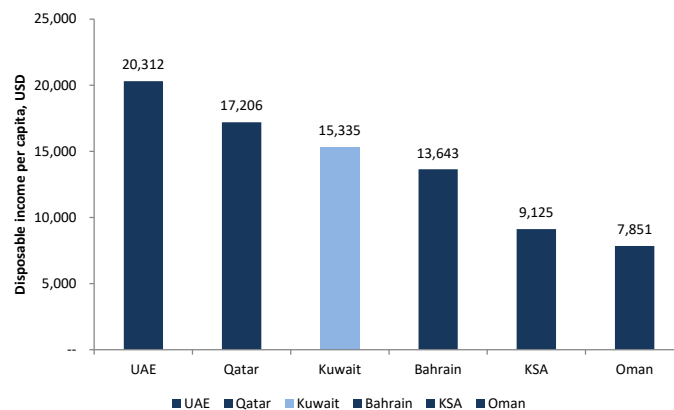
**Kuwait's retail sector is positioned for significant growth** supported by a recovering economy, coupled with increasing buyer purchasing power, high disposable incomes of middle-class families, and ease of access. Moreover, rapid urbanization, the influx of the expatriate workforce, and a rising population of the young (Kuwait has approximately 45% of the population in the 20-39 age brackets) are the key factors driving Kuwait's retail industry.

**Exhibit 13: Kuwait population growth is the highest in GCC**

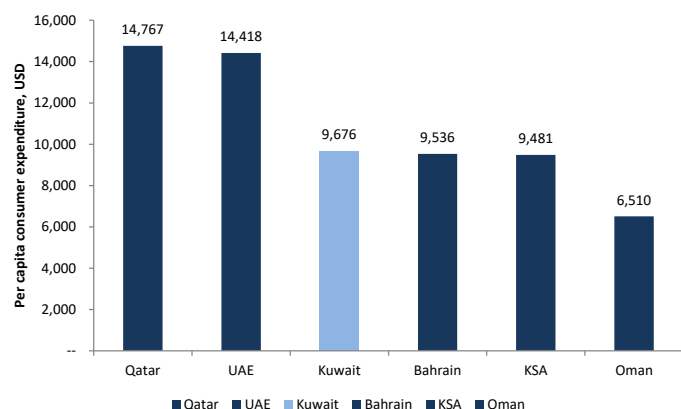


Source: Company Data, Arqaam Capital Research

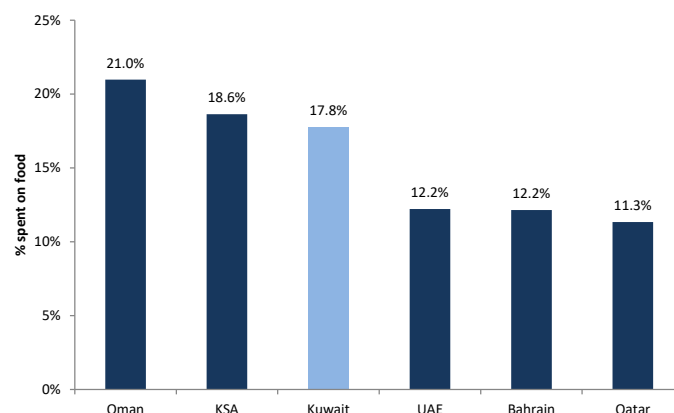
**Exhibit 14: ...and disposable incomes one of the highest as well**



Source: Company Data, Arqaam Capital Research

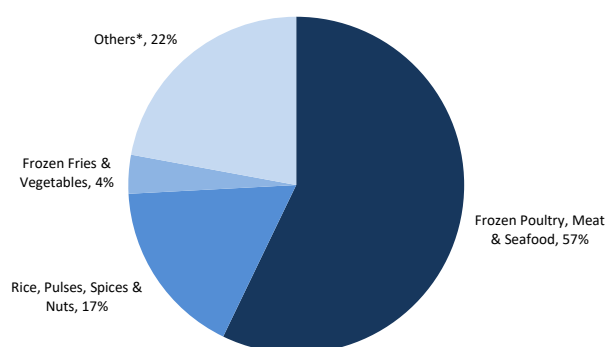
**Exhibit 15: Consumer spending is one the highest across GCC..**


Source: Company Data, Arqaam Capital Research

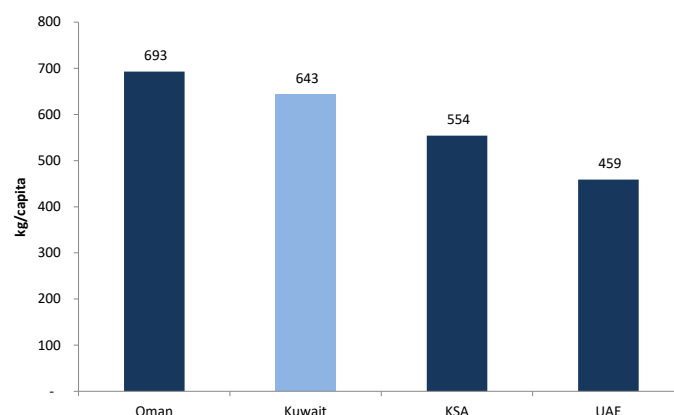
**Exhibit 16: ..with a great focus on spending on food**


Source: Company Data, Arqaam Capital Research

**Per capita consumption of major food items is the highest in the region.** Per capita consumption of poultry meat in Kuwait reached 48.6kg and is witnessing strong growth (2.5% CAGR over the past 3 years). We believe this is likely due to a shift in consumer preferences from red meat to poultry and increased health awareness among consumers. Kuwait is largely an import-dependent nation, with poultry imports representing c.75% of their domestic consumption. Red meat consumption reached 20.5kg per capita, still the highest in the region, however growth is stagnant. Imports represent just 55% of consumption as mutton and goat meat are produced locally. Consumption of rice, pulses, spices and nuts is also one of the highest in the region, at 62.2kg, growing at c.1-2% annually, and is almost fully supplied by imports (85-90%). Aggregate consumption of potatoes & vegetables is also the highest in the region, at 139kg, with growth mainly coming from increased demand for potatoes (38.7kg/capita, growing at a CAGR of 2% over the past 3 years), while demand for vegetables has been stagnant at 100.3kg/capita.

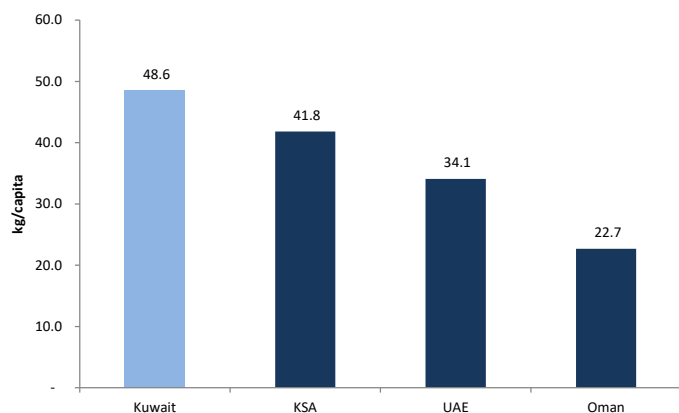
**Exhibit 17: Breakdown of food items distributed by Aleid**


Source: Company Data, Arqaam Capital Research

**Exhibit 18: Per capita food consumption**


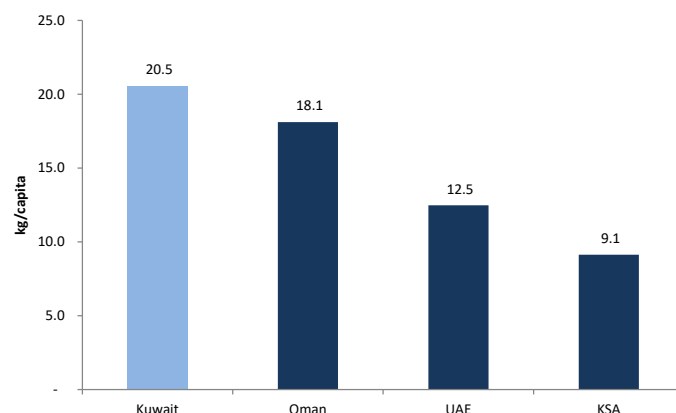
Source: Company Data, FAOSTAT, Arqaam Capital Research

**Exhibit 19: Per capita consumption of poultry**



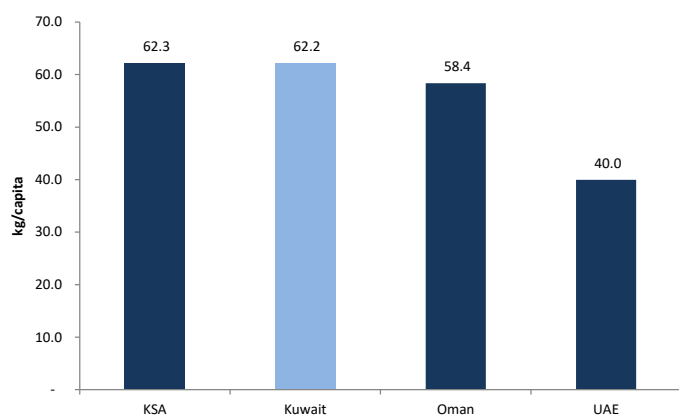
Source: Company Data, FAOSTAT, Arqaam Capital Research

**Exhibit 20: Per capita consumption of red meat**



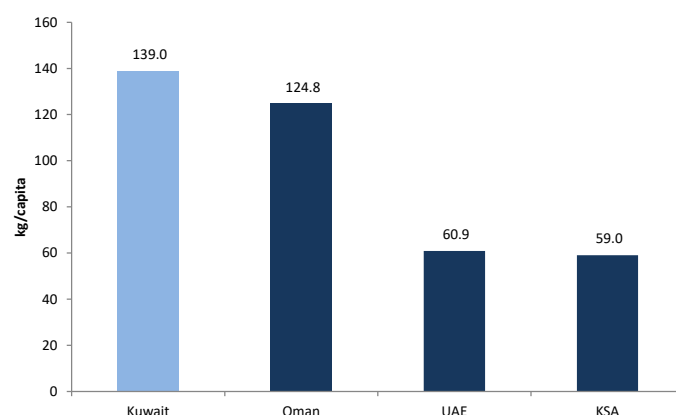
Source: Company Data, FAOSTAT, Arqaam Capital Research

**Exhibit 21: Per capita consumption of rice, pulses, spices & nuts**



Source: Company Data, FAOSTAT, Arqaam Capital Research

**Exhibit 22: Per capita consumption of potatoes & vegetables**



Source: Company Data, FAOSTAT, Arqaam Capital Research

## Forecasts – EPS CAGR FY22-25e of 22%

- Regional expansion, mainly into KSA, is the key growth driver (contributes 50% of sales growth). A large young population with high disposable income, and expansion of the tourism and entertainment should pave the way for strong growth in demand for retail and F&B in the kingdom.
- Distribution follows (+5% CAGR, representing 20% of sales growth) on volume growth, supported by Aleid's expansion of its product portfolio.
- Growth in new segments: subsidiaries and branches (each contribute 15% of sales growth) fuelled by expansion of both businesses, leveraging on Aleid's solid sourcing network, strong sales capabilities, efficient distribution infrastructure, and solid business relationships with some of Kuwait's leading food companies and brands.
- We look for enhanced profitability, and model for 150bps margin expansion across our forecast horizon on larger contribution from relatively higher-margin segments (vs. distributions' stable 16%).

**Exhibit 23: Summary of forecasts**

	FY 20A	FY 21A	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e
<b>Total sales</b>	<b>17,502</b>	<b>22,863</b>	<b>27,843</b>	<b>33,784</b>	<b>41,818</b>	<b>46,254</b>	<b>49,590</b>
<b>% y/y</b>	<b>(2%)</b>	<b>31%</b>	<b>22%</b>	<b>21%</b>	<b>24%</b>	<b>11%</b>	<b>7%</b>
Distribution	17,502	20,595	21,213	23,758	24,471	25,205	25,961
% y/y	(2%)	18%	3%	12%	3%	3%	3%
% of total revenues	100%	90%	76%	70%	59%	54%	52%
Subsidiaries		1,673	3,347	4,351	5,003	5,503	5,944
% y/y			100%	30%	15%	10%	8%
% of total revenues		7%	13%	14%	15%	16%	16%
Branches		594	1,783	2,675	3,344	3,845	4,230
% y/y			200%	50%	25%	15%	10%
% of total revenues		3%	6%	8%	8%	8%	9%
Regional			1,500	3,000	9,000	11,700	13,455
% y/y				100%	200%	30%	15%
% of total revenues			5%	9%	22%	25%	27%
<b>Gross profit</b>	<b>2,750</b>	<b>3,732</b>	<b>4,684</b>	<b>5,802</b>	<b>7,453</b>	<b>8,336</b>	<b>8,938</b>
Gross margin	15.7%	16.3%	16.8%	17.2%	17.8%	18.0%	18.0%
<b>EBITDA</b>	<b>2,260</b>	<b>3,017</b>	<b>3,849</b>	<b>4,700</b>	<b>6,002</b>	<b>6,704</b>	<b>7,167</b>
EBITDA margin	12.9%	13.2%	13.8%	13.9%	14.4%	14.5%	14.5%
<b>Net income</b>	<b>1,573</b>	<b>2,250</b>	<b>2,917</b>	<b>3,614</b>	<b>4,698</b>	<b>5,260</b>	<b>5,619</b>
% y/y	4%	43%	30%	24%	30%	12%	7%
Net margin	9.0%	9.8%	10.5%	10.7%	11.2%	11.4%	11.3%

Source: Company Data, Arqaam Capital Research

## Initiate with a Buy as DCF fair value implies 23% upside

- We use a DCF model with an explicit forecast period of FY 22-26e and using a WACC of 7.2% (Rf 3.5%, EMRP 7.0%, Re 10.5%, Rd 2.2%) and perpetual growth rate of 3.0%.
- Our fair value estimate implies FY 22/23e P/E of 18.2/14.7x, still at a c.25% discount to GCC staples given that most of the comparables are KSA-based; benefitting from a larger market (35m population vs. 4m in Kuwait), strong tourism (16m arrivals annually vs. 8m for Kuwait) and government support.
- We apply a 15% illiquidity discount given low volume of trade (USD 0.7m daily over the past 6 months vs. an average USD 2.5m for GCC F&B, ex. KSA giants Almarai and Savola, which trade USD 8.0m daily). Initiate with Buy at a TP of KWd 313/share, implying 23% upside to CMP.

### Exhibit 24: Summary of DCF valuation

KWd m	2022e	2023e	2024e	2025e	2026e
<b>EBIT</b>	<b>3,628</b>	<b>4,432</b>	<b>5,670</b>	<b>6,338</b>	<b>6,774</b>
Zakat / tax	(136)	(168)	(219)	(245)	(262)
<b>EBIT(1-t)</b>	<b>3,492</b>	<b>4,264</b>	<b>5,451</b>	<b>6,092</b>	<b>6,512</b>
Depreciation	221	268	332	367	393
<b>Working capital changes</b>	<b>(1,726)</b>	<b>(1,965)</b>	<b>(3,027)</b>	<b>(3,260)</b>	<b>(3,237)</b>
Trade receivables	(1,735)	(1,534)	(2,251)	(2,398)	(2,405)
Inventories	(641)	(1,215)	(1,737)	(1,926)	(1,972)
Trade payables	650	785	961	1,063	1,140
<b>Operating CF</b>	<b>1,986</b>	<b>2,567</b>	<b>2,756</b>	<b>3,199</b>	<b>3,668</b>
CapEx	(278)	(338)	(418)	(463)	(496)
<b>FCFF</b>	<b>1,708</b>	<b>2,229</b>	<b>2,338</b>	<b>2,736</b>	<b>3,172</b>
Stub period (FCF to be discounted)	1,708	2,229	2,338	2,736	3,172
Discount factors using WACC at 7.2%	0.97	0.91	0.85	0.79	0.74
<b>PV {FCFF}</b>	<b>1,660</b>	<b>2,022</b>	<b>1,978</b>	<b>2,161</b>	<b>2,337</b>
Terminal Value		78,350			
<b>PV of terminal value</b>		<b>57,728</b>			
<b>Equity Valuation for ALEID KK</b>					
PV {VCF}		10,158			
PV {TV}		57,728			
<b>Enterprise value</b>		<b>67,886</b>			
Net cash/(debt)		(5,360)			
Minority interest		(150)			
<b>Equity value after 20% illiquidity discount</b>		<b>53,020</b>			
NOSH, m		169			
<b>Equity value per share</b>		<b>313</b>			
Implied P/E	18.2	14.7	11.3	10.1	9.4
Implied EV/EBITDA	17.6	14.4	11.3	10.1	9.5

Source: Company Data, Arqaam Capital Research

**Market price at 45% discount to GCC staples:** CMP implies FY 22/23e P/E of 13.8/11.1x, placing the stock at c.45% discount to GCC food staples despite offering stronger growth prospects, better margins, and comparable returns and dividend yield.

**Exhibit 25:**

	Mkt Cap, USDm	6M ADTV, USDm	P/E		EV/EBITDA		EPS CAGR 21-24e	EBITDA CAGR 21-24e	EBITDA margin	NPm	RoE	RoIC	RoA	ND/EBITDA	DY
			FY 22e	FY 23e	FY 22e	FY 23e									
AlEid Foods	140	0.7	13.8	11.1	11.9	9.7	27.8%	25.8%	13.2%	9.8%	10.6%	8.5%	7.9%	1.7	1.8%
<b>GCC staples</b>			<b>25.4</b>	<b>18.8</b>	<b>14.7</b>	<b>12.7</b>	<b>23.8%</b>	<b>10.8%</b>	<b>12.7%</b>	<b>5.6%</b>	<b>8.8%</b>	<b>7.3%</b>	<b>4.6%</b>	<b>5.1</b>	<b>2.3%</b>
Almarai	14,155	8.2	29.9	25.8	15.9	14.4	12.1%	7.7%	26.2%	9.9%	9.8%	6.5%	4.9%	2.3	1.9%
Sadafco	1,368	0.9	20.4	17.8	13.8	12.6	10.9%	9.1%	15.7%	9.6%	13.5%	11.9%	9.2%	(1.6)	3.7%
Tanmiah	432	3.8	32.4	20.1	15.6	13.3	n/m	21.0%	9.2%	0.9%	3.9%	4.1%	1.1%	2.5	0.8%
Mezzan	438	1.4	12.3	9.8	10.2	8.9	12.3%	5.4%	8.3%	3.4%	7.6%	5.2%	3.2%	2.8	3.8%
Agthia	1,142	1.6	13.6	12.2	9.2	8.3	16.3%	11.6%	13.9%	7.0%	9.3%	5.7%	4.5%	2.4	1.7%
Nadec	853	5.2	51.7	28.2	23.0	17.0	n/m	3.0%	2.5%	n.m.	n.m.	n.m.	n.m.	28.7	3.0%
Savola	4,781	8.0	19.4	16.5	13.0	12.4	73.0%	21.2%	10.2%	0.9%	2.4%	6.2%	0.8%	3.1	0.6%
Halwani	670	0.9	23.5	19.8	16.7	14.9	18.2%	7.1%	15.4%	7.5%	15.3%	11.3%	8.6%	0.8	2.8%

Source: Company Data, Bloomberg, Arqaam Capital Research

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