

Daily Bulletin

July 20, 2026

NADEC 2Q26: Cost shock drives profit 44% lower, despite inline revenue

Last Price: SAR 15.45 | Consensus Target Price: SAR 19.5 | YoY Performance: 28.5%

National Agricultural Development Co. (NADEC) reported a 44% YoY decline in 2Q26 net income to SAR 64.6 mn, a 26.9% miss versus the consensus estimate of SAR 88.3 mn. Despite a 5.5% YoY increase in revenue, profitability declined mainly due to lower gross margin to 28.5% from 37.7% in 2Q25. The margin pressure came from an exceptional rise in animal feed costs, shipping costs, and war surcharges tied to regional maritime disruptions. Operating profit fell 28.2% YoY to SAR 78.6 mn, down from SAR 109.5 mn in 2Q25, driven by the lower gross margin. Selling and marketing expenses rose 5.4% YoY on higher distribution costs. Other expenses increased by SAR 7.8 mn due to higher culling of biological assets. Treasury income declined by SAR 9.2 mn YoY on lower deposit income.

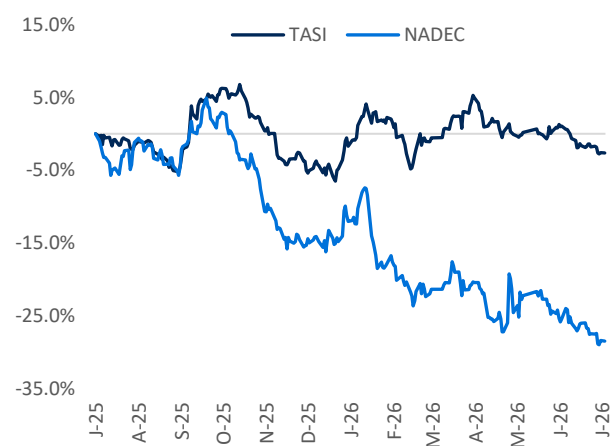
Revenue clocked in at SAR 876.4 mn, up 5.5% YoY, broadly in line with the consensus estimate of SAR 879.0 mn. The increase was mainly driven by the Protein and Agri segments, which grew by 99.2% and 41.0%, respectively. Growth in the Protein and Agri segments helped offset a 3.7% decline in the Dairy and Food Processing segment.

On a quarterly basis, net income fell 31.1% QoQ to SAR 64.6 mn. The decline was driven by a 4.5% drop in revenue, mainly due to lower sales in Dairy, Food Processing and Protein segments. The previous quarter also had a higher base from the Ramadan factor. Following the cost pressure gross profit margin fell to 28.5%, down from 30.8% in the prior quarter.

Going forward, NADEC's focus on strengthening Dairy and Food Processing through innovation and new SKUs. The company plans to launch packaged red meat under Protein across major retail channels by year-end, marking a shift from live animal sales to a higher value retail platform. NADEC is also investing in agriculture as a strategic future vertical. Management views the current cost pressures as temporary, with normalization expected once regional tensions ease.

NADEC's stock price has declined 28.5% YoY, underperforming TASI, which declined 2.6% over the same period. The stock is currently trading at 2026e P/E of 13.2x, with a consensus target price of SAR 19.5 per share, implying an upside potential of 26.2%.

Relative price chart



Source: Tadawul, anbc research

Key financials (SAR mn)

	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)	Consensus	Var (%)
Revenue	876	830	6	918	(5)	879	0
COGS	627	517	21	635	(1)	-	0
Gross profit	250	313	(20)	282	(12)	-	0
Gross margin (%)	28	38		31		-	
Operating exp.	171	204	(16)	185	(8)	-	0
Operating profit	79	109	(28)	98	(19)	-	0
Oper. margin (%)	9	13		11		-	
Net income	65	115	(44)	94	(31)	88	(27)
Net margin (%)	7	14		10		10	
EPS	0.21	0.38		0.31		0.29	

Source: Company financials, anbc research

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