

Obour Land

Export focus gaining traction

Company Update

Egypt | Consumers

Despite initial fears of increased competitive pressures and weaker consumer purchasing power, Obour Land has managed to equal its record white cheese volumes in 1Q25, maintaining its market share and solidifying its position as the industry leader. This, coupled with impressive export-driven growth in the processed cheese segment (and planned CAPEX to more than double its capacity), leaves our 2025-2029e volume and EBITDA estimates c. 10% and c. 13% higher, on average. We raise our 12M TP c. 11% to EGP28.4/share on the back of our new estimates and reiterate our BUY rating with the stock trading at a compelling 2025e EV/EBITDA of 5.2x, which is a c. 16% discount to its 10-year average trailing multiple of 6.1x.

White Cheese volumes proving surprisingly robust

Despite a near tripling in the average selling price over the past three years and the entry of Almarai into the market, Obour Land has roughly equalled its 1Q21 white cheese record volumes of c. 30k tonnes in 1Q25. With the former's competitive threat likely taking time to materialise, we continue to forecast only a gradual modest drop in Obour Land's market share from c. 43% in 2025e to c. 37% by the end of our forecast horizon, with a lower-than-expected competitive impact constituting a potential upside risk to our numbers. On the margins front, the company has faced some pressures early in the year, primarily due to higher input costs from rising palm oil prices. Although SMP prices have increased over the same period, an opportunistic build-up of inventory at attractive prices in 2024 has seen the company deftly side-step an increase in its most significant cost component. Management, however, has implemented a round of price increases in early April, which we believe should see margins restored to their target range of 23–24% by year-end.

GCC-driven expansion for the processed cheese segment

Processed cheese, now the company's largest export segment (c. 8% top-line contribution), posted a c. 167% YoY increase in revenue in 1Q25, underscoring strong growth potential in the GCC. With the segment already operating at full capacity, management has announced that expansions are underway, with plans to "more than double" its existing production capabilities. The new capacity, which management estimates to cost \$4mn paid over three years, is expected to come on stream in 3Q25e. With more than 85% of the segment's volumes being exported, our calculations suggest that the annualised 1Q25 revenue run rate of \$15mn and a margin profile in line with the company's average should see a RoIC of c. 40% once the new lines are running at full capacity, which we find value accretive.

23 June 2025

BUY

Target price:	EGP28.4
Market price:	EGP19.8
Potential return:	44%
Ticker	OLFI

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Stock data*

Shares, mn	400
MKT cap, EGPbn	7.9
3M ADTV, EGPmn	9.2
52-week high/low, EGP	20.2/9.0
Free float	39%

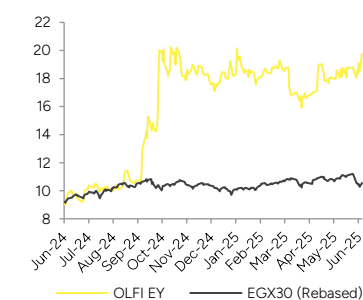
* Priced as of 22 June 2025
Source: EGX30, Bloomberg

Main financial highlights, EGPmn (unless otherwise stated)

	2024a	2025e	2026e	2027e
Revenue	9,465	11,064	11,797	12,647
EBIT	1,758	1,763	1,867	1,964
EBIT margin	19%	16%	16%	16%
EPS*, EGP	2.50	2.38	2.75	2.96
P/E* (x)	7.9	8.3	7.2	6.7
EV/EBITDA (x)	5.3	5.2	4.9	4.6
RoAE*	73%	59%	53%	52%

*Net of appropriations
Source: Company data, Beltone estimates

Relative Price performance, EGP



An improved EBITDA outlook

Overall, we raise our 2025-2029e revenue estimates an average c. 16% and our gross profit forecasts an average c. 19%, with planned expansions to the company's dairy farm likely translating into a marginally better margin profile, thanks to an increased share of internally sourced milk. On the other hand, we have increased our long-term SG&A estimates from 6.3% of revenue to 7.0%, which is broadly in line with management guidance, following a higher-than-initially-anticipated increase in marketing spend on local and regional expansion efforts. This leaves our 2025-2029e EBITDA estimates c. 13% higher, on average, and implies a modest 4-year EBITDA CAGR of c. 6%. Our estimates now point to an EBITDA margin of c. 16% by the end of our forecast period, which aligns with its historical average but is down from the high c. 19% reported in 2024.

Raise 12M TP to EGP28.4/share and reiterate BUY

We raise our DCF-based 12M TP by c. 11% to EGP28.4/share on the back of our new estimates. Our new TP puts the company at a 2025e P/E of 12.0x (10.3x in 2026e) and EV/EBITDA of 6.5x (6.1x in 2026e), and implies a potential return of c. 44% over the 22 June closing price of EGP19.8/share. We therefore reiterate our **BUY** rating. With the share price trading at a 2025e EV/EBITDA of 5.2x, which is a c. 16% discount to its 10-year average trailing multiple of 6.1x, we find the current valuation increasingly compelling. Key downside risks to our forecasts and valuation include (i) weaker-than-estimated volumes on increased competition and/or weaker demand, (ii) lower-than-expected selling prices, (iii) softer-than-estimated margins, and (iv) higher-than-forecast CAPEX.

Financial statements, EGPmn (unless otherwise stated)

Income statement	2024a	2025e	2026e	2027e
Revenue	9,465	11,064	11,797	12,647
Cost of revenue	(7,282)	(8,608)	(9,157)	(9,829)
Gross profit	2,184	2,457	2,639	2,818
SG&A expenses	(423)	(693)	(772)	(854)
Net operating income (expense)	(2)	(1)	(1)	(1)
EBITDA	1,825	1,858	1,984	2,093
Depreciation & amortisation	(67)	(95)	(117)	(129)
EBIT	1,758	1,763	1,867	1,964
Net Provisions and impairments	(40)	(40)	(40)	(40)
Net financing income/(cost)	(340)	(300)	(187)	(158)
Non-operating income (expense)	2	3	0	0
FX gains/(loss)	(74)	4	0	0
Pre-tax profit	1,306	1,430	1,640	1,766
Income taxes	(305)	(336)	(374)	(403)
Net profit after tax	1,000	1,094	1,266	1,363
Minority interest	0	0	0	0
Net profit after NCI	1,000	1,094	1,266	1,363

Balance sheet	2024a	2025e	2026e	2027e
Cash & equivalents	240	497	862	971
Trade receivables (net)	161	143	153	164
Inventory (net)	2,474	1,751	1,862	1,999
Other current assets	341	61	181	192
Total current assets	3,215	2,452	3,058	3,326
Fixed assets	676	1,032	1,080	1,128
Biological wealth	0	324	459	570
PUC	325	262	262	262
Total non-current assets	1,001	1,618	1,802	1,961
Total assets	4,216	4,070	4,860	5,287
Short-term borrowings	1,745	1,227	1,305	1,401
Provisions	10	45	85	125
Payables & other payables	356	382	406	436
Creditors & other credit balances	121	40	161	172
Other current liabilities	254	80	324	348
Total current liabilities	2,486	1,774	2,281	2,481
Long-term borrowings	20	20	20	20
Deferred taxes & lease liabilities	24	30	30	30
Total non-current liabilities	44	50	50	50
Total liabilities	2,531	1,823	2,331	2,531
Paid-in capital	400	400	400	400
Reserves	134	200	200	200
Retained earnings	1,147	1,642	1,926	2,152
Total equity	1,682	2,242	2,526	2,752
Minority interest	4	4	4	4
Total liabilities & equity	4,216	4,070	4,860	5,287

Cash flow	2024a	2025e	2026e	2027e
Cash flow from operations	(573)	1,994	1,538	1,416
Cash flow from investing	(233)	(689)	(268)	(266)
Cash flow from financing	695	(1,052)	(905)	(1,041)
Change in cash	(111)	257	365	109

Company overview

Established in 1997 by the Sherif family, Obour Land is the leading player in the white cheese segment in Egypt, with long-term presence and superior performance in the Delta and Upper Egypt regions. In a bid to diversify its product offering, OLFI ventured into juice, milk, and processed cheese. In response to the EGP devaluation and hike in global commodity prices, OLFI implemented significant price hikes over the past two years, which have driven revenue growth and reflected the inelasticity of the company's mature core white cheese segment. We project 2024-29e revenue and net profit CAGRs of 8.8% and 8.9%, respectively, driven by growth in the core white cheese segment and the growing contribution of the nascent milk and processed cheese segments.

Valuation methodology and risks

We have a BUY rating on Obour Land with a 12M TP of EGP28.4/share using a DCF valuation methodology with an incorporated WACC and terminal growth rate of 15.4%, and 7%, respectively. Key downside risks to our forecasts and valuation include (i) weaker-than-estimated volumes on increased competition and/or weaker demand, (ii) lower-than-expected selling prices, (iii) softer-than-estimated margins, and (iv) higher-than-forecast capex.

Main ratios	2024a	2025e	2026e	2027e
Per share data, EGP				
EPS	2.5	2.4	2.7	3.0
BVPS	4.2	5.6	6.3	6.9
DPS	1.3	2.1	2.4	2.6
Valuation data				
P/E (x)	7.9	8.3	7.2	6.7
P/B (x)	4.7	3.5	3.1	2.9
Dividend yield (%)	7%	11%	12%	13%
EV/EBITDA (x)	5.3	5.2	4.9	4.6
Growth, % YoY				
Revenue	31.4%	16.9%	6.6%	7.2%
EBITDA	3.3%	1.8%	6.8%	5.5%
EBIT	3.4%	0.3%	5.9%	5.2%
Earnings	143.8%	-5.0%	15.7%	7.7%
Profitability				
Gross profit margin	23.1%	22.2%	22.4%	22.3%
EBITDA margin	19.3%	16.8%	16.8%	16.5%
EBIT margin	18.6%	15.9%	15.8%	15.5%
Net profit margin	10.6%	9.9%	10.7%	10.8%
RoAE	72.6%	59.2%	53.1%	51.7%
RoA	27.0%	26.9%	28.3%	26.9%
RoIC	46.6%	37.4%	39.9%	36.9%
Leverage				
Net debt (cash)/equity (x)	1.0	0.8	0.7	0.6
Net debt (cash)/EBITDA (x)	0.9	0.9	0.9	0.8

Source: Company data, Beltone estimates

Figure 1: DCF valuation summary, EGPmn (unless stated otherwise)

	2026e	2027e	2028e	2029e	2030e
EBIT	1,867	1,964	2,060	2,192	2,331
less: taxes	(426)	(448)	(470)	(500)	(532)
NOPAT	1,441	1,516	1,590	1,692	1,799
add: D&A	117	129	142	156	171
CAPEX	(301)	(288)	(273)	(258)	(242)
Change in working capital	148	(94)	(96)	(103)	(111)
Employee and board share in profit	(143)	(166)	(179)	(188)	(201)
FCFF	1,262	1,096	1,183	1,299	1,416
WACC	20.0%	17.1%	15.8%	15.5%	15.4%
Discount factor	0.83	0.71	0.61	0.53	0.46
PV of FCFF	1,051	780	727	691	653
Sum of PV of FCFFs	3,902				
PV of terminal value	8,225				
12-month EV	12,127				
2025e cash	497				
2025e debt	(1,247)				
2025e minorities	(0)				
Market value	11,377				
Number of shares, mn	400.0				
12-month TP, EGP/share	28.4				
Potential return	44%				

Source: Beltone estimates

Figure 2: DCF sensitivity analysis, EGP/share

		Terminal WACC				
		17.4%	16.4%	15.4%	14.4%	13.4%
Terminal growth	6.0%	25.8	25.9	26.1	26.3	26.5
	6.5%	26.9	27.0	27.2	27.4	27.6
	7.0%	28.1	28.3	28.4	28.6	28.8
	7.5%	29.4	29.6	29.8	30.0	30.2
	8.0%	31.0	31.2	31.4	31.6	31.8

Source: Beltone estimates

Figure 3: Earnings revision summary, EGPmn (unless stated otherwise)

	2025e			2026e			2027e		
	New	Old	Change	New	Old	Change	New	Old	Change
Revenue	11,064	9,920	12%	11,797	10,249	15%	12,647	10,809	17%
Gross profit	2,457	2,197	12%	2,639	2,242	18%	2,818	2,353	20%
Gross profit margin	22.2%	22.1%	0.1%	22.4%	21.9%	0.5%	22.3%	21.8%	0.5%
EBITDA	1,858	1,757	6%	1,984	1,759	13%	2,093	1,825	15%
EBITDA margin	16.8%	17.7%	-0.9%	16.8%	17.2%	-0.3%	16.5%	16.9%	-0.3%
Net profit	1,094	1,153	-5%	1,266	1,151	10%	1,363	1,171	16%

Source: Beltone estimates

Figure 4: Earnings revision summary by segment, \$mn (unless stated otherwise)

	2025e			2026e			2027e		
	New	Old	Change	New	Old	Change	New	Old	Change
EGP/\$	50.2	49.4	2%	50.7	47.3	7%	51.8	47.6	9%
White Cheese	187	173	8%	191	183	4%	194	189	3%
Price, \$/kg	1.5	1.5	-2%	1.5	1.6	-5%	1.6	1.7	-6%
Volume, kt	126	115	10%	124	113	10%	123	112	10%
Processed Cheese	16.3	9.9	65%	20.5	10.6	93%	24.5	10.9	126%
Price, \$/kg	2.7	2.8	-2%	2.8	3.0	-6%	2.9	3.1	-5%
Volume, kt	5.9	3.5	68%	7.2	3.5	104%	8.4	3.5	138%
Milk & Juice	17.7	18.4	-4%	21.3	23.3	-8%	25.4	27.4	-7%
Price, \$/kg	0.7	0.7	-1%	0.8	0.8	-4%	0.8	0.8	-4%
Volume, kt	24.0	24.9	-4%	27.8	29.0	-4%	32.1	33.2	-3%

Source: Beltone estimates

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