

A Boring Staple That’s About to Get Interesting

Obour Land for Food Industries (OLFI) offers a compelling defensive growth opportunity amid a structural shift, underpinned by **leadership in Egypt’s resilient white cheese market** and a clearly defined, **value-accretive vertical integration strategy**.

- As the dominant player in a staple category with inelastic demand, OLFI benefits from strong brand equity, nationwide distribution, and a cost-efficient model that has consistently delivered resilient margins through macro shocks.
- The rapid export ramp-up, upstream integration into dairy farming, and expansion into higher-value cheese categories mark a structural upgrade in earnings quality, with integration benefits expected to crystallize from 2027 onward.

Based on our DCF valuation, we initiate coverage with a Buy recommendation and a **Fair value of EGP32.54**, implying a **40.69% upside** from the current price of **EGP 23.13**, positioning OLFI as a rare blend of defensiveness, visibility, and undervalued growth optionality within Egypt’s consumer staples universe.

Investment Thesis

- **Market leader in inelastic white cheese segment**, backed by scale, strong brands, and nationwide distribution, delivering resilient margins through inflation and FX shocks.
- **Export expansion and vertical integration** into dairy farming and yellow cheese structurally improve margins, FX resilience, and earnings visibility, with benefits crystallizing from 2027.
- **Bulk procurement, long shelf-life inputs, and safety-stock strategy** mitigate raw material volatility and FX risk, supporting gross margin stability in a volatile macro environment.
- **OLFI’s robust operating cash generation** supports a shareholder-friendly dividend policy, with a dividend payout ratio of approximately 80% in FY2024, enhancing the stock’s income profile.

Investment Risk:

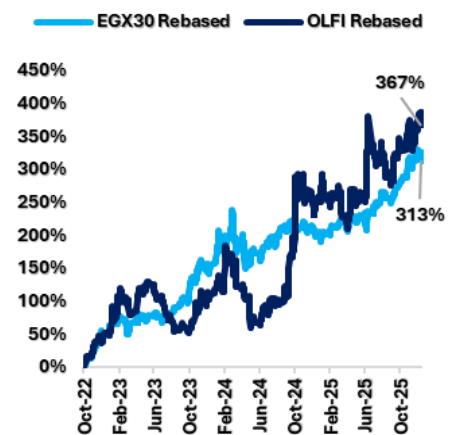
- OLFI’s earnings profile remains exposed to emerging market macro risks, including elevated inflation, currency depreciation, and volatility in imported raw material and packaging costs.
- These factors may exert pressure on cost of goods sold and gross profit margin, particularly during periods of delayed price pass-through.

BUY

Price (EGP)	23.13
Fair Value	32.54
Upside	40.69%

Stock Data

Shares (mn)	400
MKT Cap (EGP mn)	9,252
3M Avg. Vol	381.41K
1y Price Range	15.6 - 26.5



Source: Pioneers Research

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Economy Overview

Egypt’s economy is gradually stabilizing following a period of high inflation and currency volatility.

While dairy products remain part of daily consumption, the dairy sector remains defensive, supported by inelastic demand and strong household consumption of essential food products.

Large and Growing Consumer Base:

Egypt has large and growing population underpins a structurally strong demand base for dairy products. Despite pressure on disposable incomes and evident consumer downtrading, dairy consumption remains widespread, supporting volume resilience rather than pure price-led growth.

Scale and Cost Efficiency Drive Competitive Advantage:

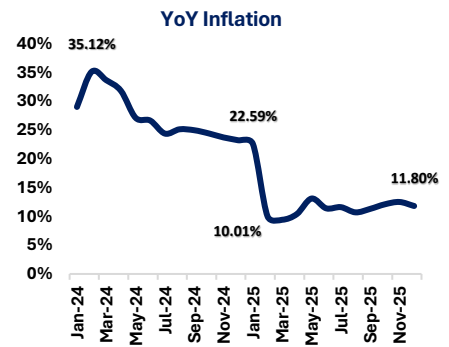
The macro environment favors cost-efficient dairy producers with strong distribution networks and flexible pricing strategies, positioning market leaders such Obour Land stands as a strong example of this dynamic, leveraging scale, pricing, flexibility, and wide distribution to mitigate demand softness and margin pressure.

Industry overview

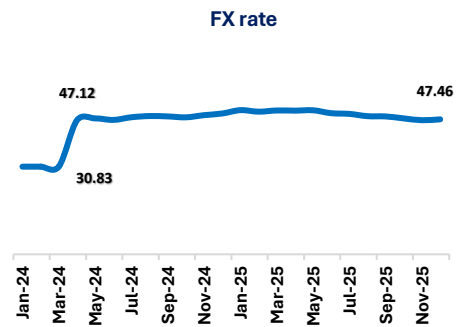
Egypt’s dairy industry is relatively well-developed but remains fragmented, comprising nearly 300 companies, with the private sector accounting for around 83% of local food processing. Competition is intense with big names companies such as (OLFI, DOMT, and JUFO) competing through pricing strategies, product innovation, branding, and distribution channels. The market relies primarily on domestic milk production, which totals approximately from 6.07 to 7.1 mtpa; however, this meets only about 75% of domestic demand. The remaining gap is filled by imported milk powder, which is a key input for producing (processed and traditional cheeses Vegetable oil Base). Egyptians exhibit a high cheese consumption, estimated around 700 Ktpa , with per-capita cheese consumption of approximately 5.55 Kg per year, among the highest regionally.

Current trends shaping the sector:

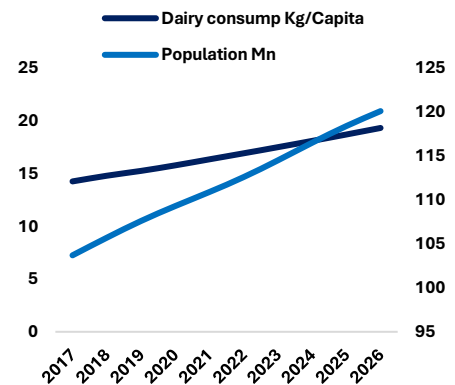
Rising demand for premium and value-added products , trends are going into a stronger focus on health and nutrition, makes a competition higher with the new entrances companies that produce this high quality, Healthier options like (Dina Farms, Katilo, Maarai). OLFI managed to make a huge marketing campaigns to defend itself and keep its market position. the expansion of modern retail and e-commerce channels, and increasing export opportunities to the MENA region and Africa.



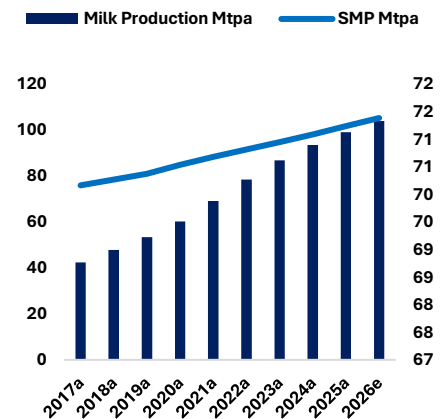
Source: CBE



Source: CBE



Source: OECD, World Bank



Source: OECD, World Bank

Company Overview

Obour Land for Food Industries (OLFI) , a leading white cheese manufacturer in Egypt, dominating 40% to 42% market share. It is a joint stock company established in 1997. primarily focused on the production, processing, and packaging of white cheese and related dairy products under the well-known brand name “Obour Land”. They have exports lines well known as “Lovely, Obour Garden”. The company has a strong market presence across Egypt and widely regarded as the largest producer and seller of white cheese in the country.

Business Model

OLFI’s historical performance reflects a defensive business model, focused on producing and selling value-added dairy products, primarily white cheese locally and processed cheese to export markets.

The company began its operations with only one production line of loose white cheese, and in 2018 they expanded into other products (processed, UHT Milk , Juice) as they now operates 23 production line. They start their vertical integration initiatives era (including the development of Obour Farm) to secure part of its raw milk supply for processing capacity expansion for the yellow cheese factory that is estimated to open early 2027.

The white Cheese segment is the main revenues driver for the company, The company began its operations in 1999 with only one production line of loose white cheese producing 400 Kg of cheese per day, in 2007 they add their first Tetra Pak cheese product. Now they operate 16 production lines with capacity 275 (Ktpa) with different sizes and wide range of flavors.

Processed cheese The Export Rising Star, OLFI add this line in 2018 it’s a Glass Jar Production line with capacity 3.6 (Ktpa) , further then they add a new innovative product “Mafroda” in Tetra Pak to increase the total capacity to 9 (Ktpa). Also, It serve with a wide range of flavors.

Milk and Juice segment, operates 3 production lines since 2018 with total capacity of 107 Mn liters. It represents a small part of their revenues as they are still in early stage, with a promising potential of growth and marketing plans ahead (1st Q in 2026).

Yellow Cheese The Product that will Change the Egyptian yellow cheese market, they started to build a factory inside their new farm (Obour Farm) to make fresh local yellow cheese as the key product here is the fresh raw natural milk. It will be an attractive local product with low competition.

According to management the project will be operational in 2027, and will cost around EGP 120-150 Mn with estimated capacity 3.3 Ktpa.

Main Product



White Cheese 275 Ktpa Total capacity.

Expansion Adds in 2018

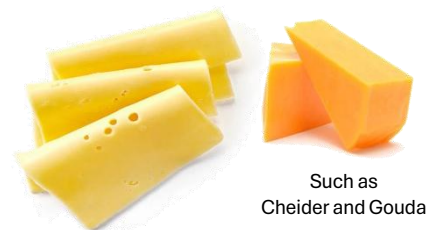


Processed cheese: 9.4 Ktpa total capacity.
Juice & milk 107 mn liters total capacity.

Special Export Lines



Yellow Cheese New Innovation in 2027



Such as Cheider and Gouda

Source: OLFI Catalog

Financial Analysis

Revenues Breakdown

OLFI has demonstrated resilient revenue growth and stable profitability, positioning.

Revenues expansion has been primarily driven by volume growth in core cheese products, periodic price increases to offset inflation, and a gradual improvement in export contribution, particularly to regional markets.

The white cheese segment: represents OLFI’s largest revenue contributor, accounting for approximately 87% of total revenues FY2025a, and is projected to slightly goes down to 86% FY2030 supported by total sales volumes of 128 Ktpa FY2025a projected to reach 158 Ktpa, derived by using a historical average growth rate of 3.7%. Given that OLFI has mature positioning in the white cheese segment, we assume that OLFI will maintain its 22% market share of Egypt’s consumption over the forecast period. ASP will grow in line with inflation, with 5-year CAGR 5.3%, to go from EGP 76.9 per Kg in FY2025a to EGP 99.85 per Kg by FY2030.

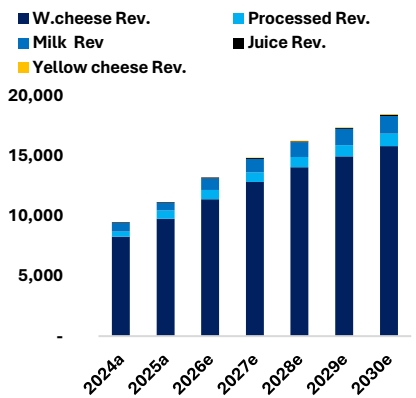
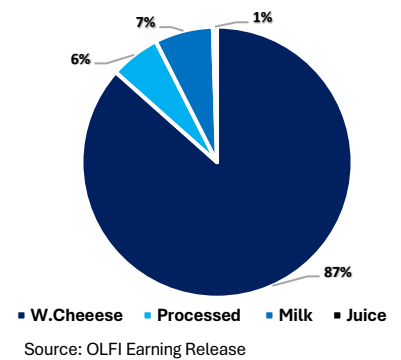
Processed Cheese: The processed cheese segment represents smaller but strategically important growth driver for OLFI.

In 2025, OLFI doubled its installed capacity from 9.4 Ktpa in 2024 to 19.4 Ktpa, Processed cheese accounted for 6% of total revenues in FY2025a and along the forecasted period, supported primarily by gradual volume expansion as sales volumes are increased from 3.30 Ktpa FY2024 To 5.18 Ktpa in 2025 after the expansion plan, this segment is predominantly export-oriented does not primarily target the Egyptian domestic market. As a result, revenue performance is more exposed to foreign currency movements and international pricing dynamics. resulting in an estimated average selling prices 5-year CAGR of 4.2%, increasing from EGP 132.3 per Kg in FY2025a to EGP 182 per Kg by FY2030e.

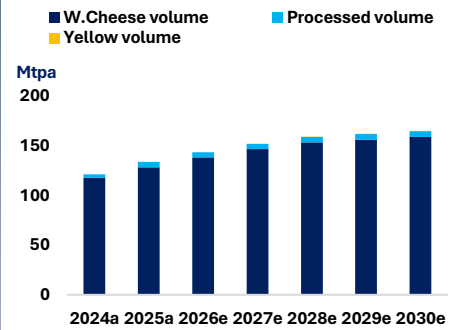
The yellow cheese segment: The new growth venture for OLFI estimated to go in 2027. positioning company’s plan to diversify its product mix beyond its core white cheese. The project is planned with an initial installed capacity of 3.13 Ktpa and revenues will capture 0.2% of sales mix.

Sales volumes are projected to reach 0.28 Ktpa in FY2027, reflecting a cautious market entry strategy, followed by a volume CAGR of 10% through FY2030 as brand awareness, distribution, and market penetration gradually improve Average selling Prices Estimated to start 2027 with EGP 110.5 per Kg Increasing to EGP 131.5 per Kg in FY2030e driven primarily by local inflation.

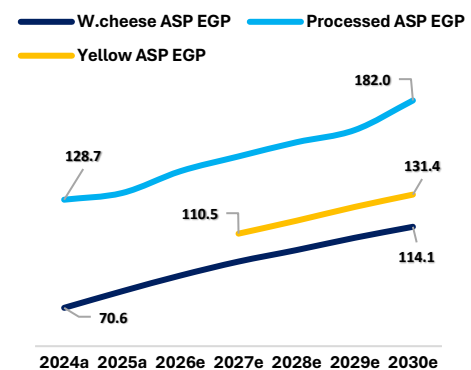
Sales Breakdown (% of Rev)



Source: OLFI Earning release , Pioneers forecasts



Source: OLFI Earning release , Pioneers forecasts



Source: OLFI Earning release , Pioneers forecasts

Financial Analysis

Revenues Breakdown

Milk segment: Capacity here Expected to Remain flat at 70 Mn/L as OLFI has no plans for further capacity expansion over the forecast period , Management is instead focused on a marketing rebranding expected to be implemented in 1H2026, which may result in a slight increase in SG&A expenses in the short term.

Segment revenues Contribute 8% of total Revenues FY2025e and projected to Reach 10% in 2030, driven primarily by volume growth from 19.57 Mn Liter FY2025e To Reach 24.82 Mn Liter in 2030, implying 5-yearCAGR 4.9% broadly in line with expected growth in Egyptian milk consumption.

ASP are assumed to be inflation-driven, reflecting domestic market dynamics estimated at EGP 42.53 per liter increasing to EGP 60.0 per liter by FY2030, representing a 5-year CAGR of 7%.

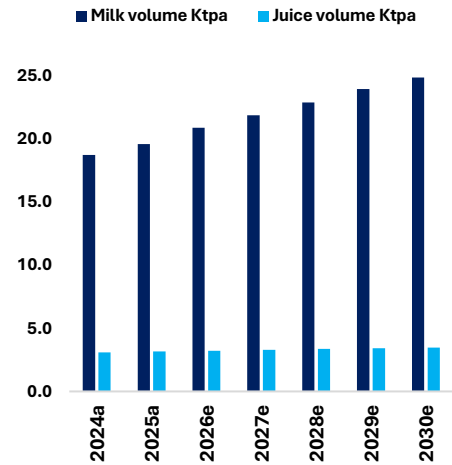
Juice segment: Represents the smallest contributor to OLFI’s revenue mix, by 0.6% FY2025e, Installed capacity is expected to remain unchanged at 37.2 Mn liter as the segment operates in a highly competitive market with limited pricing power and growth visibility. Sales volumes are forecast to grow gradually from 3.16 Mn liters in FY2025e to 3.47 Mn liters by FY2030, implying a 5-year CAGR of 2%. Average selling prices (ASP) are assumed to increase in line with domestic inflation, rising from EGP 20.37 per liter in FY2025e to EGP 24.0 per liter in FY2030, representing a 5-year CAGR of 3%.

Primary Cost Drivers:

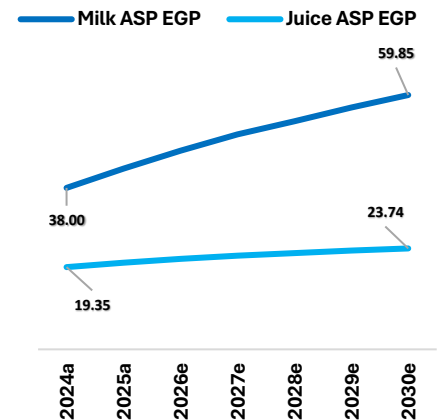
OLFI’s key raw materials in cheese manufacturing are skimmed milk powder (SMP) and palm oil, both of which are imported inputs.

- SMP is a core ingredient due to its cost efficiency and scalability, as it allows the company to produce large quantities of milk equivalent at a lower cost compared to fresh milk.
- OLFI primarily sources SMP from European markets, and complements it with milk protein concentrate (MPC) and palm oil to restore the required fat and protein content.
- Additional ingredients such as GDL, butter and salt are added to complete the cheese production process.
- Palm oil is mainly imported from Malaysia and Indonesia, together with SMP accounts for approximately 76% of OLFI’s COGS related to raw material imports.

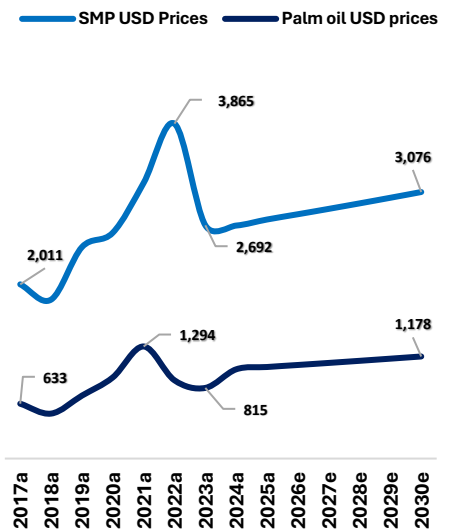
The second major cost component is packaging, which is largely sourced from Tetra Pak. Packaging represents around 18.5% of total COGS, reflecting the importance of branded, shelf-stable packaging in maintaining product quality and market positioning.



Source: OLFI Earning release , Pioneers forecasts



Source: OLFI Earning release , Pioneers forecasts



Source: Fed reserves , Pioneers forecasts

Financial Analysis

Primary Cost Drivers:

Both SMP and palm oil have a long shelf life of 1–2 years, enables OLFI to procure key inputs in bulk during periods of stable or favorable pricing and store them over extended periods. Such a procurement strategy, combined with staggered purchases at different price points throughout the year, helps mitigate cost volatility, protect gross margins, and reduce short-term exposure to economic and FX shocks.

Assumptions:

OLFI’s cheese production costs are primarily driven by production volumes and foreign exchange movements, as approximately 80% of key raw materials are imported.

SMP & MPC:

- Costs are assumed to increase by a cumulative average of 46% in USD terms over the forecast period, reflecting global SMP price. This increase is further compounded by Egyptian FX depreciation, assumed at a 5-Y CAGR of 2%, resulting in elevated local currency input costs.
- From a volume perspective, total cheese production volumes are projected to grow at a 5-Y CAGR of 5%, increasing from 2,745 Ktpa in FY2025e to 3,436 Ktpa by FY2030. Consequently, total raw material costs are expected to rise due to the combined impact of higher volumes and FX-driven cost inflation.

Palm oil costs:

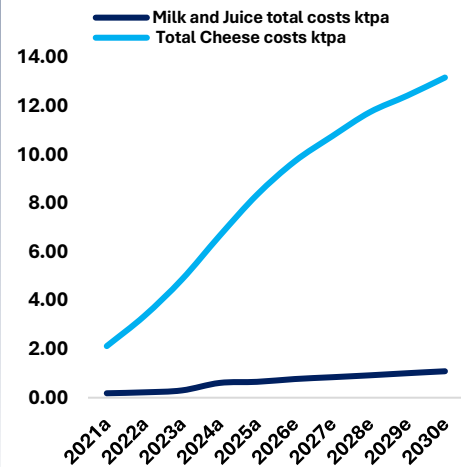
- Costs are assumed to increase by a cumulative average of 24% in USD terms over the forecast period, reflecting its Global prices. This also compounded with Egyptian FX depreciation assumed at 5-Y CAGR of 2%.
- Volumes are projected to Grow at 5-Y CAGR 5% from 1,414 Ktpa FY2025e to 1,770 Ktpa in 2030. Consequently, total raw material costs are expected to rise due to the combined impact of higher volumes and FX-driven cost inflation.

GDL & butter:

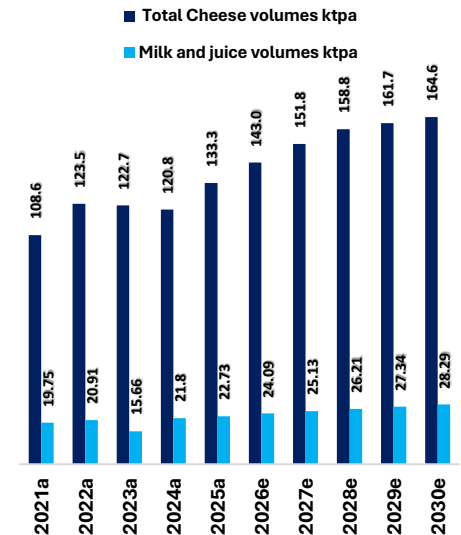
Exhibit the same pricing pattern as SMP and palm oil, being largely influenced by global commodity prices and FX movements.

Packaging:

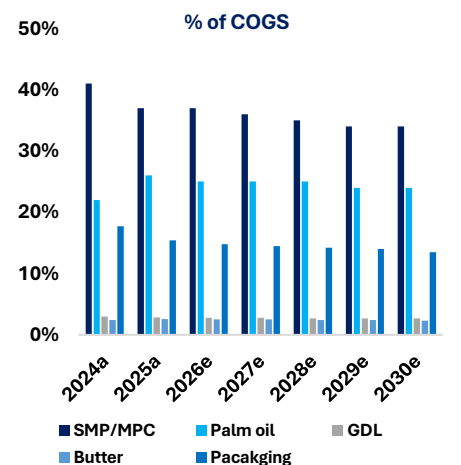
inventory follows a similar safety stock pattern to raw materials. OLFI maintains a strong strategic relationship with Tetra Pak, under which the company typically secures packaging supply through medium-term contracts of approximately seven months.



Source: OLFI analysts pack, Pioneers forecasts



Source: OLFI Earning release, Pioneers forecasts



Source: OLFI analysts pack, Pioneers forecasts

Financial Analysis

Working Capital: Historically It has represented approximately 15% of revenues, reflecting OLFI’s financing strategy, which is primarily reliant on short-term credit facilities particularly overdrafts (OVD) alongside internal self-financing. Inventory requirements have largely been funded through overdrafts, resulting in a steady increase in leverage over recent years. Consequently, the company’s debt-to-equity ratio rise sharply to 1.05x in 2024, compared to 0.4x in 2020. This increase is mainly attributable to the importation of key raw materials, ongoing foreign currency (FX) shortages, and OLFI’s continued reliance on overdrafts to support production.

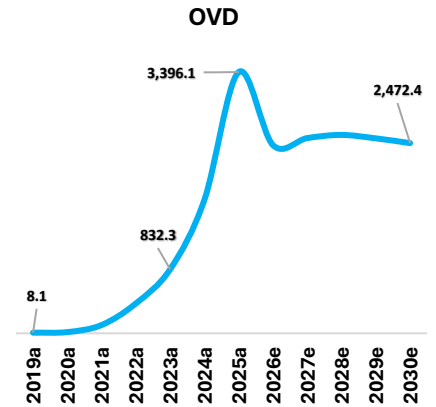
- OLFI operates 6 days in week and follows a conservative credit policy, with an average collection period of 5 to 6 days, supporting liquidity, particularly given that inventory represents the largest component of working capital.
- A significant portion of available cash is allocated to securing imported raw materials, resulting in a tightly managed cash conversion cycle (CCC). Historically, OLFI’s CCC averaged around 65 days; however, it increased sharply to 125 days in FY2024, representing an abnormal deviation from historical levels driven primarily by elevated inventory holding periods.
- For the forecast period FY2026–FY2030, we assume a gradual normalization of the CCC, declining to approximately 113 days in FY2025 and improving over the forecast horizon to reach close to its historical average of approximately 79 days by FY2030.

Inventory strategy: OLFI adopts a safety stock–driven inventory strategy, particularly for key imported raw materials such as (SMP) and palm oil. Under normal market conditions, the company maintains inventory coverage equivalent to approximately 3–5 months of production.

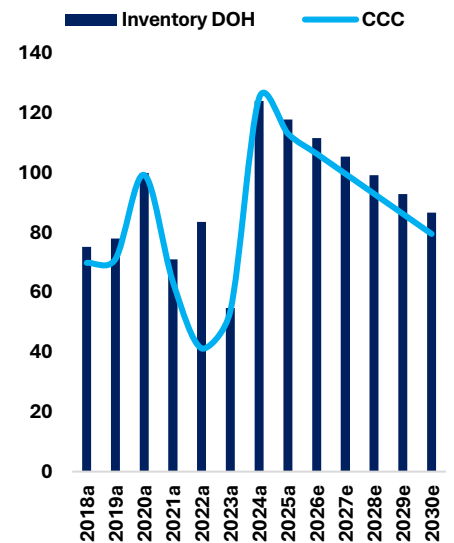
During periods of heightened uncertainty and foreign currency liquidity shortages, OLFI increases its safety stock levels to between 6 and 12 months in order to mitigate the risk of import disruptions and supply constraints.

This defensive inventory positioning is reflected in inventory days on hand, which increased to 124 days in FY2024 as a result of hedging activities and precautionary procurement, compared to a historical average of approximately 81 days.

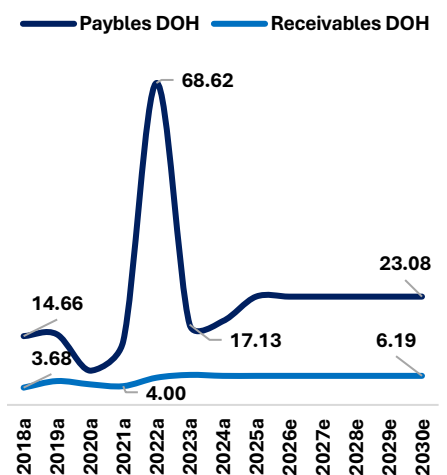
For the forecast period FY2026–FY2030, we assume a gradual normalization of inventory levels, with inventory days declining to approximately 117 days in FY2025 and continuing to improve over the forecast horizon to reach close to the historical average at around 87 days by FY2030.



Source: Pioneers forecasts



Source: Pioneers forecasts



Source: Pioneers forecasts

Financial Analysis

CAPEX: OLFI’s CAPEX averages at 3% of revenues.

primarily maintenance-driven, aimed at sustaining production efficiency, and complying with health and safety standards. In the absence of aggressive capacity expansion, management has announced plans to establish a new yellow cheese manufacturing facility open in 2027, with a total estimated investment cost of EGP 120-150 million to be spent over 2 years (CAPEX 5% of Rev in 2025 and 2026). The project will be fully self-financed, in line with OLFI’s conservative financial policy and near zero-debt structure.

This expansion Capex is expected to support product diversification and incremental volume growth, while the remaining forecast-period Capex continues to reflect routine machinery upgrades and operational efficiency enhancements.

Valuation Recommendations

Our valuation is primarily based on a Discounted Cash Flow (DCF), applying a Free Cash Flow to the Firm (FCFF) framework over the explicit forecast period FY2026 to FY2030.

- **The cost of equity (CoE)** is estimated at 21.7% in FY2026, declining progressively to 16.3% by FY2030. This downward trajectory is primarily driven by a reduction in Egypt’s risk-free rate, which is assumed to decrease from 16.3% in FY2026E to 11.2% by FY2030E, alongside an adjusted beta of 0.7 and a long-term equity risk premium (ERP) of 8%.
- As a result, the WACC is assumed to decline gradually over the forecast horizon, from 21.2% in FY2026 to a terminal WACC of 16.3% by FY2030, reflecting improving macroeconomic conditions and a normalization of risk premiums.
- Terminal Growth Rate 6%.

DCF (EGP Mn)		2026	2027	2028	2029	2030
EBIT		1,955	2,394	2,658	2,936	3,151
Effective tax rate		-440	-539	-598	-661	-709
(NOPAT)		1,515	1,855	2,060	2,275	2,442
Plus D&A		140	185	216	240	257
Less Capex		-613	-513	-476	-417	-452
Less change OWC		-346	-113	-50	54	-30
Free Cash Flow to Firm (FCFF)		696	1,413	1,750	2,154	2,217
Presnet Value of FCFF		562	962	1,044	1,175	1,046
Sum of FCFF	4,789					
Terminal Value	10,745					
	TGR of 6%					
Intrinsic Value						
Firm value	15,534					
Plus: Cash	1,083					
Less: Debt	-3,601					
Equity value	13,017					
Current price	23.13					
Equity value/share	32.54					
Upside Potential	40.69%					

	FY25	FY26e	FY27e	FY28e
Income Statement (EGP mn)				
Revenues	11,125	13,208	14,857	16,267
COGS	(9,046)	(10,484)	(11,599)	(12,662)
Gross Profit	2,079	2,724	3,258	3,605
SG&A	(732)	(806)	(907)	(993)
EBITDA	1,470	2,095	2,095	2,578
D&A	(94)	(140)	(185)	(216)
EBIT	1,376	1,955	2,394	2,658
Finance Expense	(286)	(382)	(246)	(263)
EBT	1,144	1,573	2,148	2,395
Net Income	854	1,191	1,636	1,828

Balance Sheet (EGP mn)

PPE	1,473	1,946	2,274	2,535
Inventory	2,643	3,204	3,347	3,438
AR	195	224	252	276
Other debtors	197	422	455	477
Cash	1,083	571	1,407	1,873
Total Assets	5,876	6,366	7,735	8,598
AP	287	663	733	801
Other Creditors	98	191	211	231
Credit Facilities	3,396	2,445	2,538	2,579
Income tax (ST)	175	175	175	175
Provisions	30	13	15	16
Total Liabilities	4,254	3,715	3,934	4,088
Equity	1,622	2,651	3,801	4,510

	FY25	FY26e	FY27e	FY28e
Basic Data				
EPS	1.8	4.1	4.6	5.2
Shares (mn)	400.0	400.0	400.0	400.0
DPS	1.78	1.40	2.33	3.28
BVPS	4.1	6.6	9.5	11.3
Valuation (x)				
P/E	13.7	5.7	5.1	4.5
P/BV	6.2	3.5	2.4	2.1
DY (%)	7.1	6.0	10.1	14.2
EV/Revenue	1.1	0.8	0.7	0.6
EV/EBIT	9.0	5.7	4.3	3.7

Growth YoY (%)

Revenue	18	19	12	9
EBIT	-21	42	22	11
Net profit	-15	39	37	12

Profitability (%)

ROAE	51.65	55.73	50.72	43.99
ROAA	16.93	19.72	23.76	22.84
GPM	18.69	20.62	21.93	22.16
EBITDA-M	13.21	15.86	17.35	17.67
EBIT-M	10.29	11.91	14.46	14.73
NPM	7.68	9.02	11.01	11.24

Liquidity (x)

Debt/Equity	2.11	0.67	0.57	0.48
ND/Equity	1.44	0.72	0.30	0.16
Current Ratio	1.0	1.2	1.4	1.5
Quick Ratio	0.4	0.3	0.6	0.7

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Rating Criteria

Rating	Fair Value	12M-TP*
Buy	Above +15%	Above CoE + 15%
Hold	(10%) to +15%	CoE + [(10%) to +15%]
Sell	Below (10%)	Below CoE + (10%)

*Our 12-month target price is evaluated using the same rating criteria as our fair value estimate, with an explicit adjustment for the cost of equity over the forward 12-month horizon.

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However, in certain exceptional cases, the implied return on our target price may diverge from the assigned rating in line with the above criteria, due to share price volatility.

Despite this divergence, analysts may not revise their rating unless such price movement is sustained for a period of at least 30 days.