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Comprehensive Fundamental Financial Analysis Report

Nofoth Food Co.

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Fundamental Analysis | Food Production

Nofoth Food Products Co.

Strong growth, but delivery platforms are taking a bigger share of each riyal

Review of FY21–FY25 financial statements, with an update on 1H26 results

Key takeaways

Compounding growth on a debt-free balance sheet. Revenue rose from SAR196.6mn in FY21 to SAR429.6mn in FY25, a 21.6% CAGR, while net income compounded at 20.6% to SAR56.7mn. Cash and investments stood at SAR96.4mn at end-FY25, with no bank debt.

Gross margin gains have not reached the operating line. Gross margin expanded 11.6pp between FY21 and FY25 to 62.2%, but SG&A rose 11.5pp to 49.0% of revenue. Operating margin stayed within 12.1–13.9% throughout.

App commissions are growing at nearly twice the pace of sales. They reached SAR78.0mn in FY25, up 33.5% against revenue growth of 17.7%. At 18.2% of revenue, they now exceed net income.

Momentum has faded since 4Q25. 4Q25 net income fell about 19.5% year on year. Preliminary 1H26 results then showed net income down 25% to SAR24.6mn on a 1.9% decline in revenue (Argaam).

Company data	
Ticker	2288
Market	Main Market, since 21 Jan 2026
Sector	Food Production
Share capital	SAR96mn
Shares issued	96mn
Founded	2016, Riyadh

Selected metrics (SAR mn)

	FY23	FY24	FY25
Revenue	308.2	365.1	429.6
Net income	42.7	51.6	56.7
Gross margin	59.4%	62.0%	62.2%
Operating margin	13.9%	13.7%	13.0%
Net margin	13.8%	14.1%	13.2%
Return on average equity	48.8%	41.7%	34.7%
FCF after leases	40.9	29.6	24.7

Executive summary

Nofoth grew revenue at a 21.6% CAGR over FY21–FY25 to SAR429.6mn and net income at 20.6% to SAR56.7mn, and has carried no bank debt since 2023. The financial statements show, however, that gross margin gains have been matched almost point for point by higher SG&A, and that delivery-app commissions are now growing at roughly twice the rate of revenue.

Company performance

Gross margin rose from 50.6% to 62.2%, but SG&A as a share of revenue rose by almost the same amount, keeping operating margin in a tight range. In FY25, app commissions grew 33.5% against revenue growth of 17.7%. Operating cash flow fell 33.2% to SAR60.4mn as payables came down from their FY24 peak.

Sector outlook

The sector rests on a broad spending base. The Ministry of Tourism put 2025 tourism spending at about SAR304bn, and SAMA data show restaurant and café point-of-sale spending of about SAR21.8bn in 4Q25. Low barriers to entry, however, keep competition on price and visibility intense.

Consumer behavior

Delivery orders exceeded 132mn in 2Q26, up 30.5% year on year according to the Transport General Authority, with the Riyadh region accounting for 44%. With 55.3% of Nofoth's revenue coming from the Central region, its sales growth is increasingly tied to platform terms.

Technology and AI

We see AI cutting both ways. Demand-forecasting tools can reduce waste on fresh, short shelf-life products, while platform algorithms give aggregators more power to price a brand's visibility. Ownership of direct sales channels and customer data will decide which effect dominates.

Opportunities and risks

The main opportunities are Gulf expansion, following first revenue from Qatar, and deploying SAR96.4mn of liquidity into acquisitions or new categories. The main risk is the rising cost of selling through apps in a highly competitive market, which coincided with a 25% drop in 1H26 net income.

> The key metric to watch is whether Nofoth can bring app commissions down as a share of revenue, or offset them through pricing. Commissions are currently equivalent to about 1.37x net income.

Figure 1 **Key financials, FY21–FY25**

SAR mn

SAR mn	FY21	FY22	FY23	FY24	FY25
Revenue	**196.6**	**270.2**	**308.2**	**365.1**	**429.6**
YoY growth	–	37.4%	14.1%	18.5%	17.7%
Gross profit	99.4	147.8	183.0	226.3	267.0
Gross margin	50.6%	54.7%	59.4%	62.0%	62.2%
Operating income	24.9	32.8	42.7	50.0	56.0
Operating margin	12.7%	12.1%	13.9%	13.7%	13.0%
Net income	**26.8**	**31.5**	**42.7**	**51.6**	**56.7**
Net margin	13.7%	11.7%	13.8%	14.1%	13.2%
Cash flow from operations	30.0	56.3	68.1	90.4	60.4
FCF after leases	4.9	22.2	40.9	29.6	24.7
Cash and investments	7.4	28.3	65.4	78.1	96.4
Total equity	38.7	68.4	106.4	141.3	185.3
Return on average equity	–	58.8%	48.8%	41.7%	34.7%

Source: Company audited financial statements, Board of Directors' reports 2024 and 2025, Yamamah Insights analysis. FY24 cash flows as restated in the FY25 financial statements.

Company performance

Company overview and business model

Nofoth develops and operates food and dessert brands, combining centralized production with a network of leased outlets, delivery-app sales and franchising.

Founded in Riyadh in 2016 with SAR100k of capital, Nofoth listed on Nomu, the parallel market, on 10 January 2023. It has since capitalized retained earnings twice through bonus issues, raising share capital to SAR48mn in 2024 and SAR96mn in 2025. The shares moved to the Main Market's Food Production sector on 21 January 2026.

The commercial registration covers the production of bread, fatayer and traditional and Middle Eastern sweets; retail of bakery goods, nuts, coffee and spices; and full-service restaurants and catering. Production is centralized in a factory that moved to a MODON industrial city in July 2024. Products are sold through flagship branches, cloud kitchens and delivery apps, and the company is also growing through franchising.

Most revenue is recognized at the point of sale; franchise fees were only SAR2.4mn in FY25, or 0.6% of the total. The company does not break revenue down by brand or channel and discloses only a regional split.

Ownership remains founder-led. At end-FY25, CEO and Vice Chairman Ibrahim Al-Omaigan held 12.5% of the share capital, and board member and Deputy CEO for Development Faisal Al-Omaigan held 4.9%. The five-member board, whose term runs to June 2028, has three independent directors, including the Chairman.

Figure 2 Revenue by region SAR mn

Region	FY24	FY25	FY25 share
Central region	204.5	237.4	55.3%
Rest of Saudi Arabia	160.5	187.5	43.7%
Qatar	–	4.7	1.1%
Total	**365.1**	**429.6**	**100.0%**

Source: Board of Directors' reports 2024 and 2025, note 21 to the FY25 financial statements. Rest of Saudi Arabia derived as a residual; shares may not sum to 100% due to rounding.

Figure 3 Brand portfolio

Brand	Products	Footprint and milestones
Enabah	Stuffed vine leaves, kibbeh, musakhan	First branch 2020; 59 branches at end-2024
Mamoula	Fresh ma'amoul, assorted fillings	Founded 2021; 58+ branches at end-2024
Loqma Wardiya	Fatayer and stuffed dishes	34 branches at end-2024
Qishtiya	Cream-based desserts	33+ branches at end-2024
Maqsoud	Middle Eastern-style meals	Acquired Nov 2024 for SAR3.7mn
Cake by Mamoula	Premium cakes	Launched 2024
Mukarmala	Category not disclosed	Launched 2025
Other brands	Al Balah Al Thahabi, Qalb Ice Cream, Afdal Mia	–

Source: Annual reports 2024 and 2025. Latest disclosed branch counts are as of end-2024.

Revenue is spread across the Central, Eastern, Western, Southern and Northern regions, with a clear concentration in the Central region. In FY25 the company booked its first revenue outside Saudi Arabia, from Qatar, and in November 2025 the board approved a branch in the UAE.

Management tracks activity through orders fulfilled and new product launches. Orders exceeded 4.5mn in 2024 and 5mn in 2025, and the company launched more than 50 new products in 2024 and more than 65 in 2025.

Company performance | Income statement

Revenue: 21.6% CAGR, with growth moderating since 2023

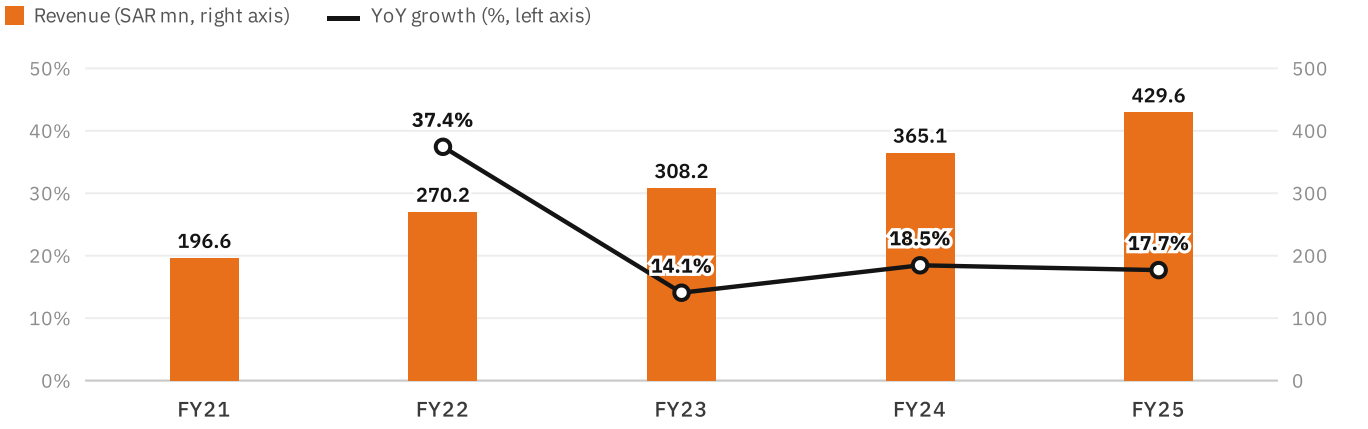
Revenue more than doubled over four years, from SAR196.6mn in FY21 to SAR429.6mn in FY25. The sharpest step-up came in FY22, when revenue grew 37.4%; growth then settled at 14.1–18.5% over the following three years.

Management attributed FY25 growth to a larger branch network, new sales channels for some brands and better performance at existing branches, without quantifying each driver. Dividing revenue by the minimum disclosed order count puts the average ticket at no more than about SAR81 in FY24 and SAR86 in FY25. This is only a rough ceiling, as the company does not disclose actual order numbers.

Net income lagged revenue in FY22 and FY25, growing 17.3% and 9.9% respectively, but outpaced it in FY23 and FY24 on the back of gross margin expansion.

Other income has swung between SAR0.6mn and SAR5.2mn, rising since 2023 as surplus cash was invested. FY25 finance costs consist entirely of interest on lease liabilities and employee benefits; the company has had no bank debt since 2023.

Figure 4 Revenue and annual growth



Source: Company audited financial statements, Board of Directors' reports 2024 and 2025, Yamamah Insights analysis

Figure 5 Income statement, FY21–FY25

SAR mn

SAR mn	FY21	FY22	FY23	FY24	FY25
Revenue	**196.6**	**270.2**	**308.2**	**365.1**	**429.6**
Cost of sales	(97.2)	(122.4)	(125.2)	(138.8)	(162.6)
Gross profit	**99.4**	**147.8**	**183.0**	**226.3**	**267.0**
Selling, marketing, general and admin. expenses	(73.8)	(114.9)	(140.2)	(176.2)	(210.6)
Expected credit loss provision	(0.73)	(0.08)	(0.04)	(0.08)	(0.44)
Operating income	**24.9**	**32.8**	**42.7**	**50.0**	**56.0**
Finance costs	(0.8)	(1.0)	(1.2)	(2.0)	(2.9)
Other income, net	3.5	0.6	2.9	5.0	5.2
Profit before zakat	**27.6**	**32.4**	**44.4**	**53.0**	**58.2**
Zakat	(0.7)	(0.9)	(1.8)	(1.4)	(1.5)
Net income	**26.8**	**31.5**	**42.7**	**51.6**	**56.7**
EBITDA (analyst-defined)	36.8	51.2	64.2	77.4	88.2

Source: Company audited financial statements, Board of Directors' reports 2024 and 2025, Yamamah Insights analysis. FY22 figures as reported in the Board reports; FY21 operating income shown after the credit loss provision for consistency.

Company performance | Profitability and costs

Profitability: higher gross margin, flat operating margin

Gross margin rose steadily from 50.6% in FY21 to 62.2% in FY25, which management attributes to better resource utilization and re-engineered recipes. The notes show materials cost broadly stable at 29.9% of revenue in FY24 and 30.2% in FY25, which is why the gross margin gain in FY25 was limited.

None of this reached the operating line. SG&A rose 11.5pp as a share of revenue between FY21 and FY25, offsetting almost the entire gross margin gain, and operating margin slipped to 13.0% in FY25 from 13.7% in FY24.

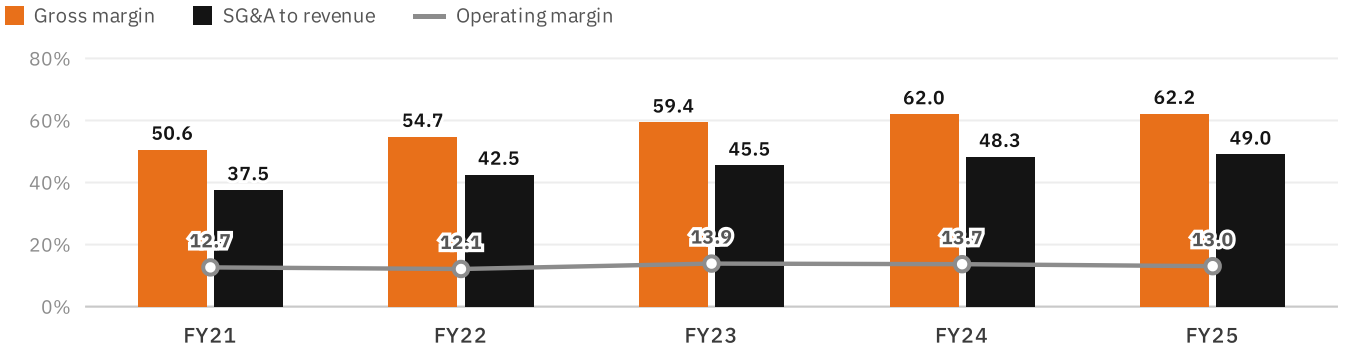
The FY25 notes show app commissions up 33.5% to SAR78.0mn, close to twice the pace of revenue and the fastest growth among cost items above 10% of revenue. Because the company books them in selling expenses rather than cost of sales, reported gross margin overstates the profitability of this channel. Netting them out brings gross margin down to 46.0% in FY24 and 44.0% in FY25.

Nofoth is not alone. Jahez reported a 16.3% rise in commission revenue in 2025 while delivery-fee revenue fell 13.1% amid intense competition, a sign that platforms are shifting more of the delivery cost from consumers to merchants.

Labor costs, by contrast, showed clear operating leverage. Total salaries rose just 3.8% to SAR79.0mn, falling from 20.8% to 18.4% of revenue. That decline was larger than the rise in commissions from 16.0% to 18.2% of revenue, and fully offset it. Smaller increases in professional fees, maintenance, materials and marketing nonetheless pushed total operating costs to 86.9% of revenue from 86.3% in FY24.

In our view, commissions are the cost line least within management's control, since they depend on platform terms.

Figure 6 Gross margin vs. SG&A as a share of revenue %



Source: Company audited financial statements, Board of Directors' reports 2024 and 2025, Yamamah Insights analysis

Figure 7 Costs by nature, FY24–FY25 SAR mn

Item	FY24	FY25	Change	% of FY24 revenue	% of FY25 revenue
Materials	109.3	129.8	18.8%	29.9%	30.2%
App commissions	58.4	78.0	33.5%	16.0%	18.2%
Salaries and related costs	76.1	79.0	3.8%	20.8%	18.4%
Depreciation (right-of-use assets and PP&E)	27.3	31.8	16.6%	7.5%	7.4%
Utilities and telecoms	7.6	8.7	13.4%	2.1%	2.0%
Repairs and maintenance	5.6	8.0	43.0%	1.5%	1.9%
Marketing and advertising	5.5	7.0	28.4%	1.5%	1.6%
Professional and consulting fees	0.5	3.0	463.8%	0.1%	0.7%
Other	24.6	27.8	13.0%	6.7%	6.5%
Total	**315.0**	**373.2**	**18.5%**	**86.3%**	**86.9%**

Source: Notes 22, 23 and 24 to the FY25 financial statements (FY24 as reclassified), Yamamah Insights analysis.

Company performance | Earnings quality

Earnings quality: accounting and non-operating tailwinds in FY25

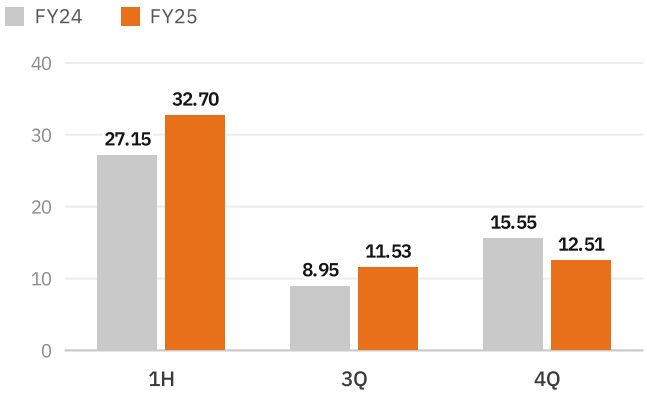
In 4Q25, management reassessed the useful lives of certain PP&E based on an independent valuation. Effective 1 October 2025, it extended furniture and office equipment from five to eight years, and kitchen equipment and vehicles from five to nine years. The change cut depreciation by SAR1.16mn in 4Q25 alone, and the company expects it to lower depreciation by about SAR7.2mn in subsequent periods. Excluding this effect, FY25 operating income growth falls from 12.0% to about 9.6%, and net income growth from 9.9% to about 7.6%.

Investment returns made up 81.5% of the SAR5.2mn of other income, including SAR2.0mn of unrealized fair-value gains on units in the Artal Murabaha Fund. Other income was 8.9% of pre-zakat profit; excluding it, pre-zakat profit grew 10.5%, versus 9.7% as reported.

The expected credit loss provision rose to SAR0.44mn from SAR0.08mn, and trade receivables more than 90 days past due rose to 9.8% of the total from 1.4% in FY24. The amounts are small but worth monitoring.

Momentum faded late in the year. Nine-month FY25 net income rose 22.6% to SAR44.2mn, which implies 4Q25 net income of about SAR12.5mn against about SAR15.5mn a year earlier, a decline of roughly 19.5% despite the depreciation benefit.

Figure 8 Net income by period, FY24 and FY25 SAR mn

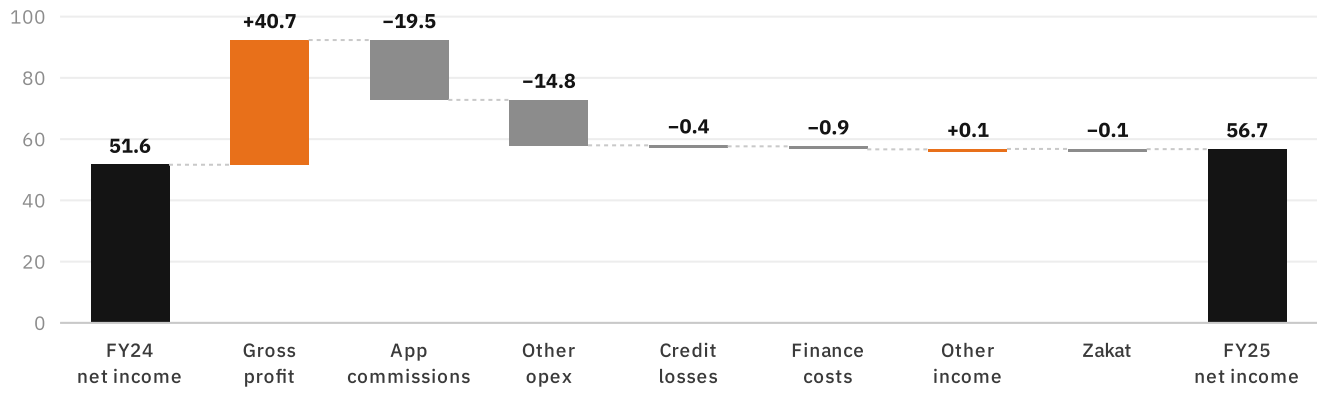


Source: Company results announcements on Saudi Exchange, Argaam. FY24 results were reported semi-annually while the company was listed on Nomu; 4Q derived as full year less nine months.

The trend continued after the period. Preliminary 1H26 results showed net income down 25% to SAR24.6mn on a 1.9% decline in revenue. By our calculation, 1H net margin fell from about 14.9% to about 11.4%: the pressure on operating margin seen in FY25 has persisted, and has now spread to sales.

Seasonality is also pronounced. 1Q25, which included Ramadan, generated about 36% of FY25 net income, reflecting the weight of hospitality and occasion-driven products in the portfolio.

Figure 9 FY24 to FY25 net income bridge SAR mn



Source: Company audited financial statements, Board of Directors' reports 2024 and 2025, Yamamah Insights analysis. Other opex includes the SAR1.16mn depreciation benefit.

Company performance | Balance sheet

Balance sheet: ample liquidity, no bank debt

Total assets grew at a 36.6% CAGR to SAR275.8mn in FY25, and equity rose from SAR38.7mn to SAR185.3mn on retained earnings. The company has carried no borrowings since 2023; its only financing-type liabilities are lease obligations of SAR54.2mn, equivalent to 0.61x EBITDA.

Cash and investments are now the largest item on the balance sheet at SAR96.4mn, or 34.9% of total assets. In 2025 the company reinvested murabaha deposits that matured in January into two instruments: SAR40.9mn of Al Rajhi Bank sukuk carrying a 5.5% annual profit rate, and units in the Artal Murabaha Fund with a fair value of SAR49.0mn, measured at fair value through profit or loss. This lifts the return on liquidity, but brings fair-value volatility into the income statement.

Net PP&E stood at SAR73.7mn, including SAR31.3mn of land, of which SAR23.8mn was added in 2024. Right-of-use assets were SAR57.2mn, and the company's risk register notes that all its sites, including branches and warehouses, are leased. The model is asset-light, but carries a lease commitment that is constantly renewing.

Working capital was the main source of cash-flow volatility. Payables and accruals rose to SAR41.7mn in FY24, then fell to SAR26.6mn in FY25 as trade payables and amounts due to executives came down. Inventory rose 38.3% to SAR19.4mn over the same period, lifting inventory days to 43.5 from 36.9 in FY24. We regard FY24 as an outlier rather than a baseline.

Figure 10 Summary balance sheet

SAR mn

SAR mn	FY21	FY22	FY23	FY24	FY25
PP&E and intangible assets	23.0	37.1	41.0	75.3	77.3
Right-of-use assets	27.3	33.1	29.3	48.5	57.2
Inventory, receivables and other assets	21.5	24.8	27.2	33.8	45.0
Cash, deposits and investments	7.4	28.3	65.4	78.1	96.4
Total assets	**79.2**	**123.4**	**162.9**	**235.8**	**275.8**
Lease liabilities	26.2	31.5	26.9	44.6	54.2
Payables, accruals and other liabilities	10.3	17.9	21.6	41.7	26.6
Borrowings	1.4	0.3	–	–	–
Employee benefits and other liabilities	2.6	5.3	7.9	8.2	9.7
Total liabilities	**40.5**	**55.0**	**56.5**	**94.4**	**90.5**
Total equity	**38.7**	**68.4**	**106.4**	**141.3**	**185.3**

Source: Company audited financial statements, Board of Directors' reports 2024 and 2025, Yamamah Insights analysis

Figure 11 Liquidity, leverage and working capital

Metric	FY21	FY22	FY23	FY24	FY25
Current ratio (x)	1.34	1.74	2.52	1.89	2.21
Total liabilities to equity (x)	1.05	0.80	0.53	0.67	0.49
Lease liabilities to EBITDA (x)	0.71	0.62	0.42	0.58	0.61
Net cash after lease liabilities (SAR mn)	**(18.8)**	**(3.2)**	**38.4**	**33.6**	**42.2**
Inventory days	41.6	38.8	34.1	36.9	43.5
Operating working capital to revenue	5.7%	2.6%	1.8%	(2.2%)	4.3%

Source: Company audited financial statements, Board of Directors' reports 2024 and 2025, Yamamah Insights analysis. Operating working capital = inventory + receivables and other assets – payables and accruals.

Company performance | Cash flow and returns

Cash flow and returns: solid cash conversion, declining ROE

Cash flow from operations fell 33.2% to SAR60.4mn in FY25 from SAR90.4mn in FY24. Most of the gap reflects payables, which added SAR19.5mn to operating cash flow in FY24 and absorbed SAR15.5mn in FY25, along with a SAR13.3mn build in inventory and receivables.

Because IFRS 16 moves lease payments into financing activities, we measure cash conversion after deducting them. On that basis, operating cash flow was SAR40.1mn in FY25, or 0.71x net income, against 1.39x in FY24. The two-year average of about SAR56.0mn compares with average net income of SAR54.2mn, which we see as the better gauge of cash conversion.

Capex went through two phases: it rose to SAR42.3mn in FY24 with the land purchases and factory relocation, then fell to SAR15.4mn in FY25. FCF after leases was SAR24.7mn, covering the SAR11.9mn of dividends paid about 2.08x.

Return on average equity fell from 58.8% in FY22 to 34.7% in FY25. A DuPont analysis breaks ROE into the product of three drivers: net margin (profit per riyal of sales), asset turnover (sales per riyal of assets) and the equity multiplier (assets per riyal of equity). The results (Figure 13) show the main driver of the decline is lower asset turnover, down from 2.67x to 1.68x, while net margin stayed in a narrow range and the equity multiplier eased from 1.89x to 1.57x.

The drop in asset turnover reflects the build-up of liquidity, which generates no operating revenue and equaled 52.0% of equity at end-FY25. Excluding these assets and their returns, we estimate the operating business earned an ROE of about 59% on year-end balances.

The payout ratio has risen from 4.5% in FY21 to 27.1% in FY25. Shareholders approved a quarterly dividend policy at the 7 May 2026 AGM, targeting SAR0.20 per share for 2026, SAR0.22 for 2027 and SAR0.24 for 2028. The 2026 target equals about SAR19.2mn on 96mn shares, or 33.8% of FY25 net income, and FY25 FCF covers it about 1.29x.

Figure 12 Summary cash flow statement SAR mn

SAR mn	FY21	FY22	FY23	FY24	FY25
Cash flow from operations	**30.0**	**56.3**	**68.1**	**90.4**	**60.4**
Purchase of PP&E	(16.9)	(22.3)	(13.4)	(42.3)	(15.4)
Lease payments	(8.2)	(11.8)	(13.8)	(18.4)	(20.3)
FCF after leases	**4.9**	**22.2**	**40.9**	**29.6**	**24.7**
Net cash used in investing activities	(17.6)	(22.4)	(68.4)	(62.0)	(24.9)
Dividends paid	–	(1.2)	(4.8)	(9.6)	(11.9)
Net cash used in financing activities	(11.5)	(13.0)	(17.6)	(34.9)	(32.8)
Net change in cash and equivalents	**0.9**	**21.0**	**(18.0)**	**(6.6)**	**2.6**

Source: Company audited financial statements, Board of Directors' reports 2024 and 2025, Yamamah Insights analysis. FY24 as restated in the FY25 financial statements.

Figure 13 DuPont analysis and dividends

	FY22	FY23	FY24	FY25
Net margin	11.7%	13.8%	14.1%	13.2%
Asset turnover (x)	2.67	2.15	1.83	1.68
Equity multiplier (x)	1.89	1.64	1.61	1.57
Return on average equity	**58.8%**	**48.8%**	**41.7%**	**34.7%**
Dividends declared for the year (SAR mn)	4.8	9.6	11.9	15.4
Payout ratio	15.2%	22.5%	23.1%	27.1%

Source: Company audited financial statements and announcements, Yamamah Insights analysis. Dividends shown by the fiscal year to which they relate.

Sector outlook and consumer behavior

Growing demand through digital channels, more volatile input costs

Nofoth sits at the intersection of food service and bakery and confectionery, both of which benefit from rising consumer and tourism spending. Ministry of Tourism data show that domestic tourism spending alone reached SAR127.1bn in 2025, up 10.2%.

At the same time, the way consumers are reached is changing. Delivery orders in 2Q26 alone were equivalent to more than 45% of total 2024 orders. The Riyadh region's share held at 44% in both 1Q26 and 2Q26, consistent with the concentration of Nofoth's revenue in the Central region.

Barriers to entry are low and successful concepts are quickly copied, particularly in traditional sweets. Competition among the platforms themselves is also intensifying: Jahez raised operating expenses 26.1% in 2025, reflecting higher marketing spend to defend share and the consolidation of Snoonu's cost base, and its net income fell 61% to SAR73mn. We think competitive advantage is shifting from branch location toward brand strength and visibility within the apps.

Demographically, under-30s make up 63% of Saudi nationals according to the 2022 census, a group that experiments readily and is influenced by social media. Nofoth has responded with a high rate of launches, developing more than 65 products in 2025 from over 5,000 trials and tests. In our view, however, trending products lose momentum quickly, which makes innovation a recurring cost rather than a one-off investment. Core categories such as ma'amoul and Middle Eastern sweets are tied to hospitality and occasions, consistent with the weight of the Ramadan quarter.

On costs, global food prices turned higher again in 2026. The FAO sugar index jumped 12% in August to its highest level since June 2025, and the vegetable oils index hit its highest since June 2022 in July. With materials at 30.2% of revenue, this trend warrants monitoring.

On regulation, a Cabinet decision froze annual rent increases on residential and commercial property within Riyadh's urban boundary for five years from 25 September 2025, limiting the risk of rising branch rents in the capital. Ministry of Human Resources rules, meanwhile, set Saudization rates of 20% at standalone restaurants and 40% in malls, putting a floor under labor costs.

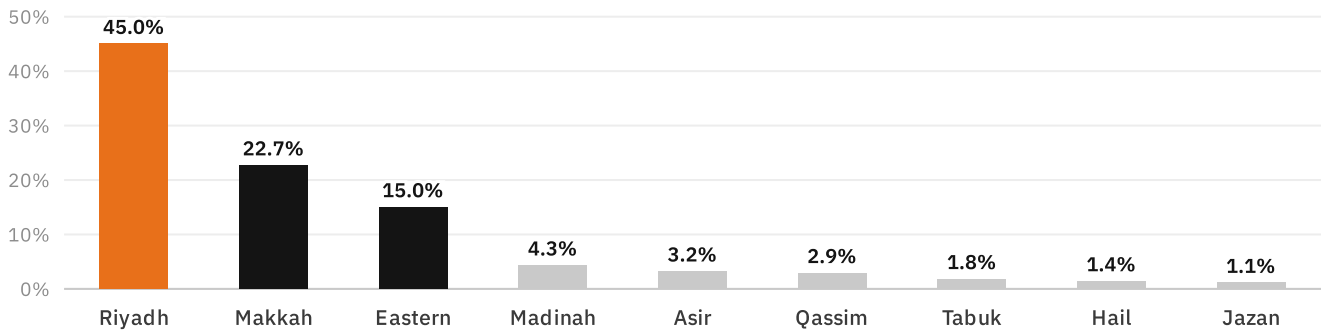
Figure 14 Key sector indicators

Indicator	Value	Period	Source
Domestic and inbound tourism spending	c.SAR304bn, up 7%	2025	Ministry of Tourism
Restaurant and café POS sales	c.SAR21.8bn	4Q25	SAMA
Delivery orders; licensed operators	290mn orders; 61 companies	2024	Transport General Authority
Delivery orders	132mn+, up 30.5% YoY	2Q26	Transport General Authority
Saudis under 30	63% of Saudi nationals	2022 census	GASTAT
FAO Food Price Index	133.3 points, up 2.5% YoY	Aug 2026	FAO

Source: Ministry of Tourism, SAMA, Transport General Authority, GASTAT, FAO

Figure 15 Delivery orders by region, 2024

% of total orders



Source: Transport General Authority via Saudi Press Agency (February 2025). Other regions c.2.6%.

Technology and AI

Demand forecasting and ownership of customer data

AI affects Nofoth's model through three channels: production efficiency, the economics of digital channels, and product development. They do not all point the same way. Some lower costs, while others strengthen the platforms' ability to capture a larger share of each order.

In production, Nofoth sells fresh products with a short shelf life, so the accuracy of daily demand forecasts at each branch feeds directly into waste and availability. McKinsey (2022) estimates that AI-driven forecasting in supply chains can reduce forecasting errors by 20–50% and cut product unavailability by up to 65%. The relevance is high locally: in September 2025 the General Food Security Authority reported that food loss and waste had fallen to 27.9% from a 2019 baseline of 33.1%, still an elevated level. If better forecasting cut materials cost by just 1%, it would add about SAR1.3mn to FY25 operating income.

In digital channels, delivery platforms use algorithms to rank restaurants and to price visibility and promotions. A growing share of customer acquisition cost is therefore paid to the platform rather than spent through the company's own channels: in FY25, app commissions were about 11x Nofoth's marketing and advertising spend.

Technology also allows companies to build direct channels, such as proprietary ordering apps and loyalty programs, that give them ownership of customer data and reduce reliance on commissions. Nofoth has included digital transformation and process automation in its 2026 targets, but does not disclose the share of sales through direct channels. We see this as the single most important disclosure for tracking progress.

In product development, the company cites a faster development cycle, re-engineered recipes to improve margins, and a review of more than 120 local and international business models. In labor, automation at the central factory could extend the operating leverage seen in FY25.

Figure 16 Where technology affects the business model

Area	Potential financial impact	What we track
Demand forecasting and production planning	Lower waste and materials cost; better product availability in branches	Materials cost to revenue; inventory days
Delivery-platform algorithms	Higher commissions and spending on paid in-app visibility	App commissions to revenue
Direct channels and customer data	Lower reliance on commissions; more repeat purchases	Direct-channel share of sales (not disclosed)
Production and process automation	Higher labor productivity at the factory and in branches	Salaries to revenue
Data-driven product development	Faster launches; lower cost of products that fail	New-product share of sales (not disclosed)

Source: Yamamah Insights analysis based on the company's 2025 annual report

Figure 17 App commissions vs. marketing and advertising spend

SAR mn



Source: Note 23 to the FY25 financial statements

Opportunities and risks

Growth avenues and key risks

Growth avenues

Management targets a revenue CAGR of at least 15% in the coming years. If achieved from the FY25 base, revenue would reach about SAR653mn in FY28, which would require a return to growth after the 1.9% revenue decline in 1H26.

We see four realistic avenues. First, Gulf expansion: Nofoth generated SAR4.7mn from Qatar in its first year there, and the board has approved a UAE branch. Second, expansion within Saudi Arabia beyond the Central region; the Makkah and Eastern regions together accounted for about 38% of delivery orders in 2024. Third, new categories the company has targeted, including chocolate and sharing products for gatherings, alongside vertical investment in supply chains and production lines. Fourth, acquisitions in healthy food, hospitality, catering and exports, where SAR96.4mn of liquidity and no debt allow selective deals without straining the balance sheet.

Governance and related parties

Related-party transactions in 2025 included a SAR1.26mn lease with Abdullah Al-Omaigan Real Estate Co., SAR0.59mn of sales to an establishment owned by the brother of two board members, and SAR0.43mn of travel-booking services. In June 2025 the general assembly authorized board member Faisal Al-Omaigan to engage in a competing business as chairman of Faza Food Co., and it renewed the authorization in May 2026. Compensation for the top five executives totaled SAR13.2mn, equivalent to 23.3% of net income. We do not view these items as material risks on their own, but they merit monitoring now that the company is on the Main Market.

Figure 18 Key risks and what we track

Risk	Potential impact	What we track
Reliance on delivery apps	Rising commissions squeeze operating margin	App commissions to revenue
Competition and easily copied concepts	Slower branch sales and higher promotional spend	Quarterly revenue growth
Post-period earnings decline	Further profit declines in 2026	Quarterly operating margin
Geographic and seasonal concentration	Sensitivity to Central-region demand and Ramadan	Central-region share; 1Q share of profit
Leased sites	Higher renewal costs outside Riyadh, or loss of sites	Lease payments to revenue
Input costs	Higher sugar and oil prices weigh on gross margin	Materials cost to revenue
Accounting estimates	Reported profit lifted by lower depreciation	Depreciation to revenue

Source: Yamamah Insights analysis, risk register in the 2025 annual report

Figure 19 Sensitivity analysis

Assumption (FY25 base)	Impact on profit (SAR mn)	% of net income
App commissions up 1pp of revenue	(4.3)	(7.6%)
Materials cost up 5%	(6.5)	(11.4%)
Revenue down 5%, gross margin and non-commission costs unchanged	(9.5)	(16.7%)
Lease costs (depreciation and interest) up 10%	(2.2)	(3.8%)

Source: Yamamah Insights analysis. Illustrative assumptions applied to FY25 figures; impact shown before zakat.

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