Aldawaa Medical Services Co.

Rating: Neutral | Target Price: SAR 40.8

August 3, 2026

Aldawaa's Wasfaty-related pressures offset diversification gains, maintain Neutral on the stock.

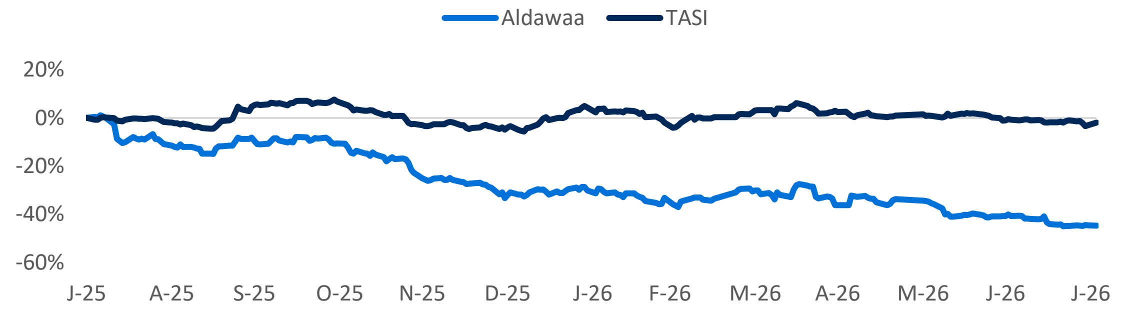
Market Data	
Last Price (SAR)*	40.5
Target Price (SAR)	40.8
Upside / Downside (%)	0.6
Market Cap (bn) (SAR/USD)	3.4/0.9
52 week High / Low (SAR)	74.8/40.3
12-month ADTV (mn) (SAR/USD)	9.2/2.5
YTD Return (%)	-18.8
Bloomberg Code	ALDAWAA AB

**last price as of 2nd August 2026*

Valuations	2025a	2026e	2027f	2028f	2029f
Net Profit (SAR mn)	325	258	267	277	238
EPS (SAR)	3.8	3.0	3.1	3.3	2.8
PER (x)	10.6	13.3	12.9	12.4	14.5
P/BV (x)	2.4	2.2	2.1	2.0	1.9
DPS (SAR)	2.5	2.0	2.1	2.2	1.9
Div. Yield (%)	6.2	4.9	5.1	5.3	4.6
RoAE (%)	23.4	17.2	16.7	16.4	13.4
RoAA (%)	6.3	4.8	4.7	4.7	3.9

Financials (SAR mn)	2025a	2026e	2027f	2028f	2029f
Revenue	**6,736**	**6,770**	**7,029**	**7,289**	**7,563**
COGS	4,363	4,387	4,557	4,746	4,993
Gross profit	**2,373**	**2,384**	**2,473**	**2,543**	**2,570**
Gross margin (%)	*35.2*	*35.2*	*35.2*	*34.9*	*34.0*
Operating expense	1,905	1,988	2,073	2,137	2,202
Operating profit	**468**	**396**	**399**	**406**	**369**
Operating margin (%)	*6.9*	*5.8*	*5.7*	*5.6*	*4.9*
Net profit	**325**	**258**	**267**	**277**	**238**
Net margin (%)	*4.8*	*3.8*	*3.8*	*3.8*	*3.1*
EPS	***3.8***	***3.0***	***3.1***	***3.3***	***2.8***

Price Performance



Source: Tadawul, Bloomberg and anbc research

We revise our target price for Aldawaa Medical Services Co. (ALDAWAA AB) downward to SAR 40.8/share and maintain our 'Neutral' rating, following a 7.2% YoY decline in 1Q26 revenue to SAR 1.5 bn. The decline was driven by a January 2026 change to the Wasfaty dispensing mechanism. Retail growth excluding Wasfaty (+5.2% YoY) and continued momentum in non-retail verticals (+65% YoY) are partially offsetting this pressure; however, we view the dispensing change as structural in nature, limiting near-term recovery in Wasfaty-linked revenue. This is compounded by the entry of a major competitor into the program, which we expect to exert further pressure on transaction share. We weigh these factors against the company's ongoing diversification into logistics, distribution, and omni-channel, as well as its solid balance sheet position, in arriving at our revised target price and rating.

- The Wasfaty program underwent two developments that we believe warrant close monitoring. First, Wasfaty amended its dispensing mechanism to restrict pharmacies to dispensing only the single, cheapest option per molecule, versus 4-5 alternatives previously available. This structural change reduced Aldawaa's average Wasfaty basket value by nearly 37%. Second, Nahdi introduced Wasfaty dispensing across its full branch network, introducing incremental competitive pressure on Aldawaa's transaction share within the program. We view the dispensing change as a permanent reset to Wasfaty's revenue-per-prescription economics, while Nahdi's entry introduces an additional, and in our view, still-evolving, share-erosion risk that we expect to persist over the coming quarters.
- We expect Aldawaa's margins to remain under pressure over the near to medium term, reflecting the current competitive environment within Wasfaty as well as the cost profile associated with newer initiatives the company is scaling, including logistics, distribution, and omni-channel. These verticals, while delivering strong revenue growth, operate at structurally lower gross margins than the core retail business. We expect this pressure to be partially offset by the company's declining share within Wasfaty, given the segment's comparatively lower margin profile.
- For the remaining nine months of 2026, management guided for revenue growth of 3-5% and operating profit of 4-7% of net sales, with CapEx maintained below 3% of sales. The company is targeting a 20% contribution from omni-channel sales by end-2026.
- *We expect Aldawaa to continue to face near-term topline and margin pressure from the Wasfaty dispensing reset and Nahdi's entry into the program, while its diversification should partially offset this drag over time. As a result, we lower our target price to SAR 40.8/share, while maintaining our "Neutral" rating.*

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