

Fuel Retail

BUY: 12M TP @ 138.80

Upside +12%

Valuation Summary (TTM)

Price (SAR)	123.90
PER TTM (x)	33.0
P/Book (x)	8.1
P/Sales (x)	0.6
EV/Sales (x)	0.8
EV/EBITDA (x)	13.8
Dividend Yield (%)	1.2
Free Float (%)	93%
Shares O/S (mn)	100
YTD Return (%)	4%
Beta	1.3

(mn)	SAR	USD
Market Cap	12,490	3,329
Enterprise value	16,571	4,474

Price performance (%)	1M	3M	12M
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Aldrees Petroleum and Trans	1%	-11%	9%
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Tadawul All Share Index	-1%	-7%	-10%
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Trading liquidity (,000)	1M	3M	6M
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Avg daily turnover (SAR ,000)	30,834	32,360	41,925
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Avg Daily Volume (,000)	258	256	312
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52 week	High	Low	CTL*
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Price (SAR)	154.40	99.80	25.2
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* CTL is % change in CMP to 52wk low

Major shareholders

Al Drees Hamad Bin M	3.8%
Vanguard Group Inc/T	1.9%
BlackRock Inc	1.0%
Others	93.4%

Other details

Exchange	Saudi Arabia
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Sector	Fuel Retail
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Index weight (%)	0.6%
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Key ratios	2022	2023	2024
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EPS (SAR)	3.22	3.74	3.38
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BVPS (SAR)	14.79	16.48	14.79
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DPS (SAR)	2.00	1.00	1.50
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Payout ratio (%)	62%	27%	44%
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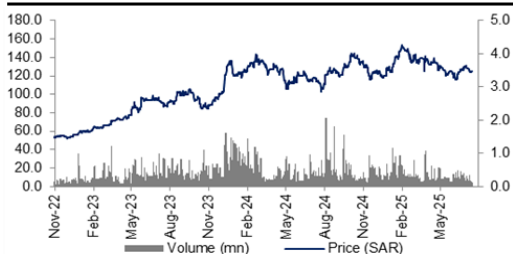
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Aldrees Petroleum – in line results

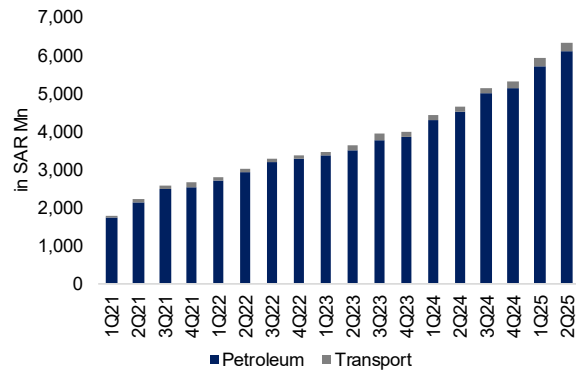
Aldrees reported consolidated 2Q25 revenue of SAR 6.2bn, in line with our expectations and up 35% YoY. During the 1H25 the company reported consolidated revenue of SAR 12bn, +35% YoY. The company added 150 new fuel stations in 1H25, bringing the total to 1,200. This gives Aldrees a 15.8% market share based on the total number of stations in Saudi Arabia (approximately 7,600). Management remains on track with its target to increase the station count to 2,000 by 2028. Fuel retail revenue rose 35.3% YoY in 2Q25. In the transport segment, Aldrees added 185 trucks and 144 trailers during 1H25, reflecting management's optimism and supporting segment growth of 32.7% YoY in 2Q25. Overall, topline growth has remained consistent, driven by continuous expansion.

The petroleum segment's gross profit margin declined by 70 basis points (bps) in 2Q25 compared with the same period last year, mainly due to a 40% YoY increase in material costs and a 20% YoY rise in employee costs. Meanwhile, the transport segment, which contributed 26% of gross profit, maintained stable margins at 30% during the quarter. On a consolidated basis, gross margins fell by 74bps YoY. We believe lower throughput at newly opened stations has also contributed to margin pressure. Operating expenses showed minimal change, helping offset further margin erosion. Finance and leasing costs remained steady compared to the previous quarter. The company earned SAR 16mn in additional income from sukuk and cash deposits in 2Q25, up 78% YoY. Consolidated net profit for the quarter came in at SAR 100mn, matching our expectations and rising 21% YoY. However, despite strong topline growth, margins have weighed on the bottom line in recent quarters. We therefore maintain our 2025e revenue forecast at SAR 24.8bn and net profit estimate at SAR 417mn. We project a 17.9% revenue and a 16.1% net profit CAGR for 2024–2028e. Our fair value remains unchanged at SAR 138.80 per share, implying a 12% upside. We maintain our **HOLD** rating on Aldrees.

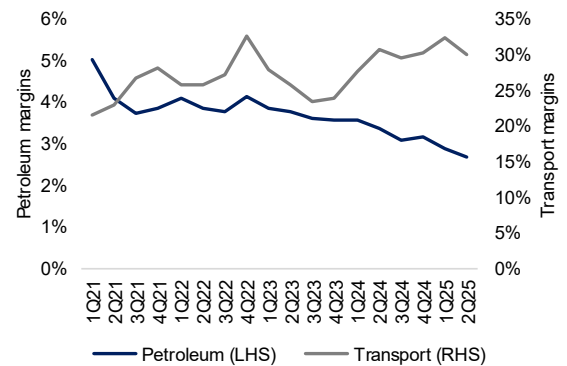
Valuation and outlook: Aldrees remains the most aggressive fuel retailer in the region, maximizing efforts to capture volume market share. This expansion comes as competitors slow down and focus on optimizing forecourts with non-fuel retail activities. At its current pace, Aldrees is on track to achieve a 20% market share in Saudi Arabia by 2028, establishing an unassailable lead. While we are optimistic about this strategy, we remain cautious about margin compression, which could weigh on earnings. The transportation segment has gained momentum, with services now offered across various sectors. Its growing contribution is expected to partially offset margin pressure in fuel retail. However, Aldrees is currently the most expensive fuel retailer globally, trading at 29.9x its 2025 P/E. While growth prospects partially justify this premium, we believe the upside potential from current levels is limited.



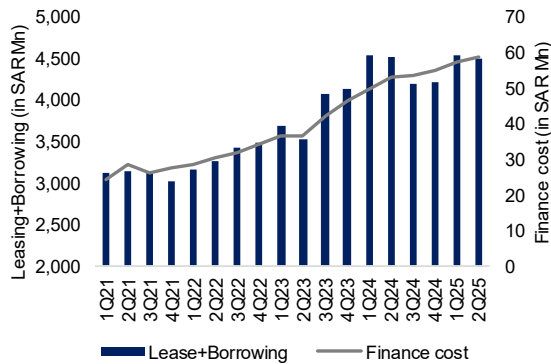
Revenue growth robust 35% YoY on station addition



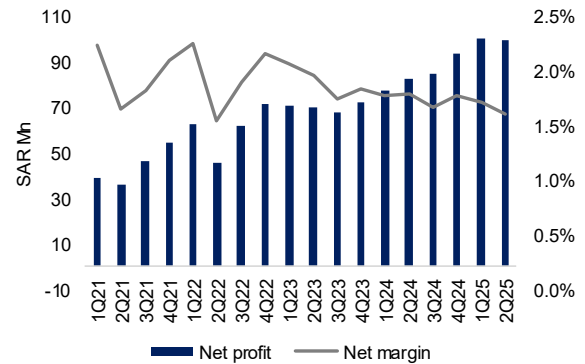
Gross margins continue to slip for fuel segment



Leasing steady at previous quarter levels



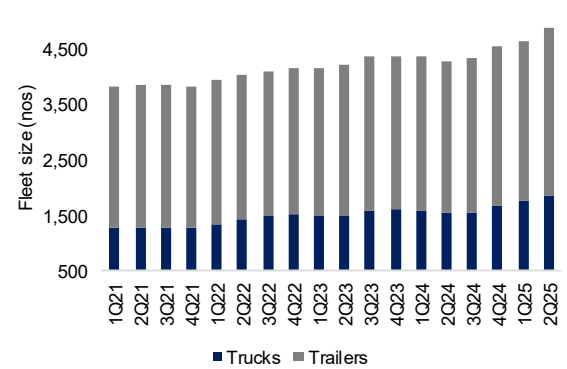
Net margins slip slightly compared to previous qtr



150 stations added in 1H25



Fleet size increases by 329 vehicles in 1H25



Income Statement (in SAR Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Revenue	9,110	12,356	14,834	19,289	24,849	30,090	34,402	37,318
Direct costs	-8,658	-11,762	-14,153	-18,477	-23,897	-28,936	-33,163	-35,990
Gross profit	451	595	681	811	952	1,154	1,239	1,327
Selling and marketing	-5	-7	-5	-5	-10	-15	-17	-19
General and Admin	-163	-224	-255	-293	-346	-434	-497	-540
Other income	1	8	7	1	2	2	2	2
Operating profit	285	371	428	514	597	707	727	771
EBITDA	668	779	933	1,069	1,200	1,429	1,565	1,739
Finance costs	-106	-124	-161	-210	-233	-203	-166	-179
Interest income from amortized cost	-	2	9	20	29	30	30	30
Share of profit in JV	4	1	1	2	2	1	1	1
Profit before tax	183	249	286	346	427	546	602	632
Tax expense	-6	-8	-5	-8	-10	-16	-18	-19
Net profit/(loss) for the period	177	242	281	338	417	529	583	613

Balance Sheet (in SAR Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Property, plant and equipment	1,297	1,559	1,890	2,122	2,335	2,928	3,726	4,567
Right-of-use assets	3,027	3,422	3,854	4,163	4,320	4,663	4,784	4,937
Other non current assets	33	178	283	510	543	543	543	543
Total non-current assets	4,357	5,159	6,026	6,795	7,198	8,134	9,053	10,047
Inventory	112	144	195	267	358	434	497	540
Trade and other current receivables	334	410	512	522	745	903	1,032	1,120
Other assets	359	455	541	617	671	812	929	1,008
Cash and bank balances	274	148	232	242	230	397	402	345
Total current assets	1,079	1,156	1,480	1,648	2,004	2,547	2,861	3,012
TOTAL ASSETS	5,435	6,316	7,506	8,443	9,203	10,680	11,914	13,060
Share capital	750	750	750	1,000	1,000	1,000	1,000	1,000
Statutory reserve	95	120	148	181	181	181	181	181
Retained earnings	150	240	338	298	565	907	1,252	1,603
Net equity	995	1,109	1,236	1,479	1,746	2,088	2,433	2,784
Lease liabilities	2,598	2,906	3,464	3,578	3,781	4,171	4,575	5,010
Borrowings	49	10	75	50	-	50	-	-
Prov employees' end of service benefit	91	111	124	159	173	217	249	270
Total non-current liabilities	2,738	3,028	3,663	3,787	3,954	4,438	4,823	5,280
Provision for Zakat	10	12	9	9	5	8	9	9
Lease liabilities	332	313	229	470	420	463	508	557
Accrued expenses	409	435	569	736	717	868	995	1,080
Trade and other payables	918	1,177	1,404	1,837	2,151	2,604	2,985	3,239
Borrowings	33	241	360	100	210	210	160	110
Total current liabilities	1,702	2,179	2,607	3,177	3,503	4,154	4,657	4,995
Total liabilities	4,440	5,206	6,270	6,964	7,457	8,592	9,480	10,275
TOTAL EQUITY AND LIABILITIES	5,435	6,316	7,506	8,443	9,203	10,680	11,914	13,060

Cash Flow (in SAR Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Cash from operations	899	773	974	1,398	1,012	1,680	1,784	1,894
Investing cash flow	-242	-517	-573	-653	-621	-1,053	-1,376	-1,493
Financing cash flow	-460	-382	-317	-735	-404	-460	-403	-458
Change in cash	197	-126	83	11	-12	167	5	-57
Beginning cash	77	274	148	232	243	230	397	402
Ending cash	274	148	232	243	230	397	402	345

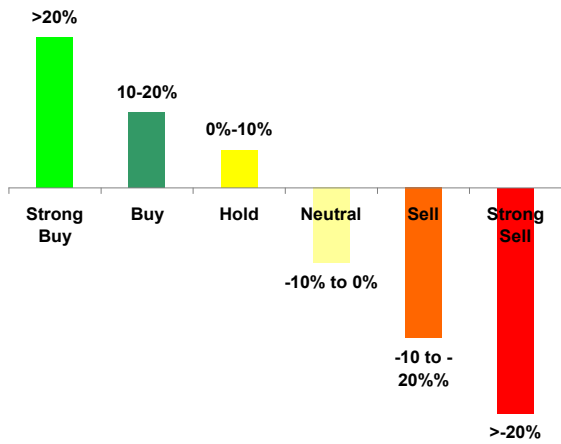
Ratio Analysis	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Per Share								
EPS (SAR)	2.36	3.22	3.74	3.38	4.17	5.29	5.83	6.13
BVPS (SAR)	13.27	14.79	16.48	14.79	17.46	20.88	24.33	27.84
DPS (SAR)	1.50	2.00	1.00	1.50	1.88	2.38	2.63	2.76
FCF per share (SAR)	8.76	5.34	5.34	7.45	3.91	6.27	4.08	4.01
Valuation								
Market Cap (SAR Mn)	5,010	5,580	9,975	12,020	12,390	12,390	12,390	12,390
EV (SAR Mn)	7,748	8,902	13,872	15,976	16,571	16,887	17,231	17,722
EBITDA (SAR Mn)	668	779	933	1,069	1,200	1,429	1,565	1,739
P/E (x)	28.3	23.1	35.5	35.6	29.7	23.4	21.2	20.2
EV/EBITDA (x)	11.6	11.4	14.9	14.9	13.8	11.8	11.0	10.2
Price/Book (x)	5.0	5.0	8.1	8.1	7.1	5.9	5.1	4.4
Dividend Yield (%)	2.2%	2.7%	0.8%	1.2%	1.5%	1.9%	2.1%	2.2%
Price to sales (x)	0.5	0.5	0.7	0.6	0.5	0.4	0.4	0.3
EV to sales (x)	0.9	0.7	0.9	0.8	0.7	0.6	0.5	0.5
Liquidity								
Cash Ratio (x)	0.16	0.07	0.09	0.08	0.07	0.10	0.09	0.07
Current Ratio (x)	0.63	0.53	0.57	0.52	0.57	0.61	0.61	0.60
Quick Ratio (x)	0.57	0.46	0.49	0.43	0.47	0.51	0.51	0.49
Returns Ratio								
ROA (%)	3.3%	3.8%	3.7%	4.0%	4.5%	5.0%	4.9%	4.7%
ROE (%)	17.8%	21.8%	22.7%	22.8%	23.9%	25.4%	24.0%	22.0%
ROCE (%)	4.7%	5.8%	5.7%	6.4%	7.3%	8.1%	8.0%	7.6%
Cash Cycle								
Receivables turnover (x)	27.1	30.0	28.7	28.6	33.3	33.3	33.3	33.3
Inventory turnover (x)	77.0	81.9	72.7	66.7	66.7	66.7	66.7	66.7
Accounts Payable turnover (x)	9.4	10.0	10.1	8.3	11.1	11.1	11.1	11.1
Receivables days	13	12	13	13	11	11	11	11
Inventory days	5	4	5	5	5	5	5	5
Payable Days	39	37	36	44	33	33	33	33
Cash Cycle	-21	-20	-18	-26	-16	-16	-16	-16
Profitability Ratio								
Net Margins (%)	1.9%	2.0%	1.9%	1.8%	1.7%	1.8%	1.7%	1.6%
EBITDA Margins (%)	7.3%	6.3%	6.3%	5.5%	4.8%	4.7%	4.6%	4.7%
PBT Margins (%)	2.0%	2.0%	1.9%	1.8%	1.7%	1.8%	1.7%	1.7%
EBIT Margins (%)	3.1%	3.0%	2.9%	2.7%	2.4%	2.4%	2.1%	2.1%
Leverage								
Total Debt (SAR Mn)	3,012	3,470	4,128	4,198	4,411	4,894	5,243	5,677
Net Debt (SAR Mn)	2,738	3,322	3,897	3,956	4,181	4,497	4,841	5,332
Debt/Total Assets (x)	0.6	0.5	0.6	0.5	0.5	0.5	0.4	0.4
Debt/Equity (x)	3.0	3.1	3.3	2.8	2.5	2.3	2.2	2.0

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Rating Criteria and Definitions

Rating	Rating Definitions
	
Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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