Nahdi Medical Company

Rating: Neutral | Target Price: SAR 125.7 **October 30, 2025**

Net Income comes below expectations despite gross margin expansion

Market Data	
Last Price (SAR)*	116.3
Target Price (SAR)	125.7
Upside / Downside	8.1%
Market Cap (bn) (SAR/USD)	15/4
52 week High / Low (SAR)	132/106
12-month ADTV (mn) (SAR/USD)	21/6
YTD Return	1%
Bloomberg Code	NAHDI AB

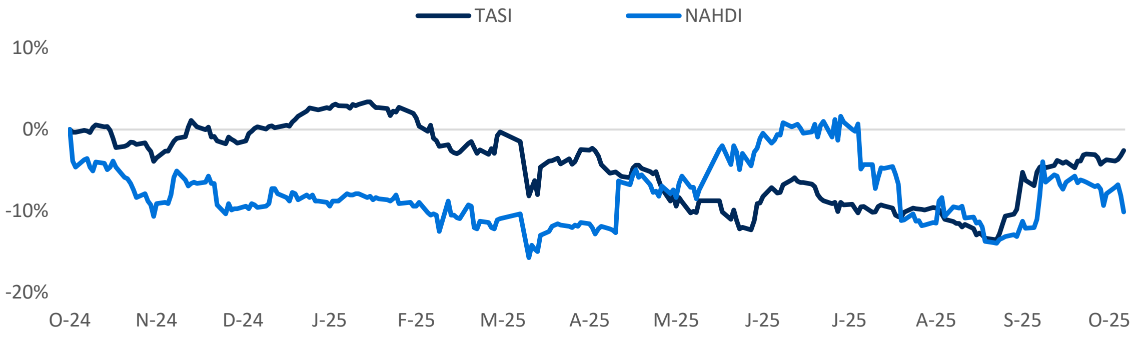
**last price as of 29th October 2025*

Valuations	2024A	2025E	2026E	2027E
Net Income (SAR mn)	821	848	885	907
EPS (SAR)	6.3	6.5	6.8	7.0
PER (x)	18.4	17.8	17.1	16.7
P/BV (x)	5.8	26.4	38.4	51.4
DPS (SAR)	5.5	5.2	5.5	5.6
Div. Yield (%)	4.7	4.5	4.7	4.8
RoAE (%)	32.5	34.1	35.7	34.1
RoAA (%)	14.2	13.7	13.7	13.1

Financials (SAR mn)	3Q25A	3Q25E*	Var (%)	3Q24A	YoY (%)	2Q25A	QoQ (%)
Revenue	2,462	2,469	-0.3	2,353	4.6	2,528	-2.6
COGS	(1,521)	(1,573)	-3.3	(1,508)	0.9	(1,562)	-2.6
Gross profit	**941**	**896**	**5.0**	**845**	**11.3**	**966**	**-2.6**
Gross margin (%)	*38.2*	*36.3*		*35.9*		*38.2*	
OPEX	(753)	(699)	7.7	(670)	12.5	(705)	6.7
Operating profit	**188**	**197**	**-4.5**	**176**	**6.7**	**261**	**-28.0**
Operating margin (%)	*7.6*	*8.0*		*7.5*		*10.3*	
Net income	**161**	**176**	**-8.4**	**182**	**-11.5**	**238**	**-32.4**
Net margin (%)	*6.5*	*7.1*		*7.7*		*9.4*	
EPS	***1.24***	***1.35***	-8.4	***1.40***	-11.5	***1.83***	-32.4

**anbc estimates*

Price Performance



Source: Tadawul, Bloomberg and anbc research

Nahdi (NAHDI AB) reported a net profit of SAR 161.2 mn in 3Q25, down 11.5% YoY (up 8.0% YoY excluding the one-time zakat provision in 3Q24) and 32.4% QoQ, coming in 8.4% below our estimate due to higher operating expenses. Revenue rose 4.6% YoY to SAR 2.5 bn, supported by broad-based growth across all business segments, and was in line with our expectations. We believe the key positive in the result was the gross margin improvement to 38.2% (vs. 35.9% in 3Q24 and our estimate of 36.3%), driven by a favorable shift in product mix. We maintain our Neutral rating on the stock, with our target price of SAR 125.7 implying an upside potential of 8.1%.

- Revenues rose 4.6% YoY to SAR 2.5 bn in 3Q25, supported by growth across all business segments, but declined 2.6% QoQ due to the Hajj seasonality impact in the previous quarter. For 9M25, revenues increased 7.6% YoY to SAR 7.6 bn, in line with management's guidance of 6-8% annual topline growth. The Retail segment maintained its growth momentum, posting 5.7% YoY growth in 9M25, supported by strong Pharma and Front Shop sales. The online channel contributed 25.8% of Retail revenue (vs. 22.3% in 9M24), while the company added 37 net new pharmacies during 9M25, including 11 in 3Q25, taking the total retail pharmacy count to 1,218.

- The Healthcare and UAE businesses continued to grow at a strong pace, with the Healthcare segment posting 79.4% YoY growth and the UAE business recording 39.4% YoY growth in 9M25. One new clinic was added in 3Q25, bringing the total to three new clinics in 9M25 and taking the total polyclinic count to 13. The UAE business growth was supported by the opening of five new pharmacies in 3Q25, bringing the total openings to 14 pharmacies as of 9M25.

- Gross margin expanded 230 bps YoY in 3Q25, which, in our view, is the most encouraging aspect of this result, as gross margins had been on a declining trend since peaking at 42.2% in 1Q23. The expansion was driven by a favorable shift in the product mix and a higher contribution from private label products. Notably, private label sales have risen 43.1% YoY in 9M25, representing 17.0% of total revenue, up from 12.6% in the same period last year. On a QoQ basis, the gross margin remained stable.

- Operating profit increased 6.7% YoY to SAR 188 mn in 3Q25. However, the operating margin, while slightly higher YoY, declined by approximately 269 bps QoQ as operating expenses rose 12.5% YoY and 6.7% QoQ to SAR 753 mn. The higher than expected operating expenses, exceeding our estimate by 7.7%, was the primary factor behind net income coming in 8.4% below our expectations.

- *We maintain our Neutral rating on the stock. To recap, Nahdi signed an agreement with NUPCO to launch the Wasfaty program in October 2025, as announced last month. While the financial impact of this initiative is yet to be determined, we view it as a potential game changer for KSA's retail pharmacy space and believe it presents notable upside risks to Nahdi's estimates. However, we currently await further clarity from the company's upcoming earnings call before incorporating the program's potential impact into our forecasts.*

Ali H. Alshaia
Ali.Alshaia@anbcapital.com.sa
+966 11 4062500 Ext. 7065

anbcapital

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Contact

ANB Capital Head Office

3581 Al Mouyyad Al Jadid, Al Murabba, Riyadh 11311,

PO Box 22009, Kingdom of Saudi Arabia

Tel: +966 11 406 2500, 800 124 0055

Email: research@anbcapital.com.sa

Web: www.anbcapital.com.sa