

**Strong revenue growth despite a decline in cargo volumes but profitability under pressure**

SAL Saudi Logistics Services Co. (SAL) posted 2.3% Y/Y increase in net profit to SAR 157mn in Q1-26, in line with our estimate of SAR 156mn. Strong revenue growth was offset by gross and operating margin contraction. Revenue grew 16.1% Y/Y to SAR 446mn, above our estimate of SAR 407mn, driven by 19.3% Y/Y growth in Ground handling revenue, while Logistics (-0.3% Y/Y) was largely flat. GP margin contracted ~90 bps Y/Y to 54.9% and was below our expectations of 56.3%. Operating margin decreased to 38.3% vs. 43.0% in Q1-25 (AJBC estimate: 39.7%).

- **SAL's net profit** rose 2.3% Y/Y to SAR 157mn in Q1-26, in line with AJBC's estimate of SAR 156mn. Better-than-anticipated revenue was offset by lower gross margin and higher non-operating expenses. We believe zakat expenses and finance costs were higher than expected. Sequentially, net income dropped 22.3% due to exceptionally high cargo volumes and seasonality support in the previous quarter.
- **Revenue** jumped 16.1% Y/Y to SAR 446mn, above our estimate of SAR 407mn. The topline growth was driven by Ground handling division (+19.3% Y/Y), despite 2% Y/Y decrease in handling volumes to 238mn Kg. The volumes were impacted by temporary interruptions across airspace and maritime routes in the region. However, supply-demand conditions led to elevated freight rates, particularly on Asia-Europe routes. Revenue for Logistic division was almost flat (-0.3% Y/Y) in Q1-26.
- **Gross profit** increased 14.3% Y/Y to SAR 245mn (AJBC's estimate: SAR 229mn). The revenue growth supported increase in gross profit but was constrained by lower GP margin. The GP margin contracted ~90 bps to 54.9%, below our expectations of 56.3%.
- **Operating profit** rose 3.6% Y/Y to SAR 171mn (AJBC estimate: SAR 162mn). Operating margin decreased to 38.3% vs. 43.0% in Q1-25 and below our estimation of 39.7%. However, OPEX-to-sales ratio at 16.6% was in line with our expectation. OPEX increased 50.1% Y/Y due to temporary elevated costs on account of higher manpower deployment, increased trucking activity and investment in digital platform.

**AJBC view and valuation:** SAL's Q1-26 performance was broadly in line with our expectations. Logistic division maintained higher revenue per Kg like the previous quarter, while volumes were impacted by regional conflict. However, profitability was hampered with EBIT margin for handling division falling below 50% and Logistic segment continuing to post losses. We expect EBIT margin pressure to sustain amid ongoing investments related to expansion. That said, planned Logistic Zone and inorganic expansions (Aviartner Liege acquisition at SAR 123mn). The stock currently trades at a P/E of 17.2x and a dividend yield of 4.3% based on our FY26E estimates. We maintain our **"Neutral"** recommendation on the stock and the TP of **SAR 186/share**.

**Results Summary**

SAR mn	Q1-25	Q4-25	Q1-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	384	509	446	16.1%	-12.5%	9.4%
Gross Profit	214	274	245	14.3%	-10.6%	6.7%
Gross Margin	55.8%	53.7%	54.9%	-	-	-
EBIT	165	202	171	3.6%	-15.4%	5.6%
Net Profit	153	202	157	2.3%	-22.3%	0.6%
EPS	1.91	2.52	1.96	-	-	-

Source: Company Reports, Aljazira Capital Research

<b>Recommendation</b>	<b>Neutral</b>
<b>Target Price (SAR)</b>	<b>186.0</b>
<b>Upside / (Downside)*</b>	<b>13.1%</b>

Source: Tadawul \*prices as of 30<sup>th</sup> of April 2026

**Key Financials**

Financials (in SAR mn, unless specified)	FY23	FY24	FY25
Revenues	1,456	1,634	1,708
Growth %	19.1%	12.2%	4.6%
Gross Profit	776	915	962
Net Income	510	661	698
Growth %	40.6%	29.8%	5.5%
EPS	6.37	8.27	8.72
DPS	4.40	5.99	5.98

Source: Company reports, Aljazira Capital Research

**Key Ratios**

	FY23	FY24	FY25
Gross Margin	53.3%	56.0%	56.3%
Operating Margin	40.3%	43.4%	42.6%
Net Margin	35.0%	40.5%	40.8%
ROE	44.2%	50.2%	46.1%
ROA	15.5%	20.3%	20.0%
P/E (x)	30.5	30.6	18.4
P/B (x)	12.6	14.4	7.9
EV/EBITDA (x)	22.9	24.8	15.3
Dividend Yield	2.3%	2.4%	3.7%

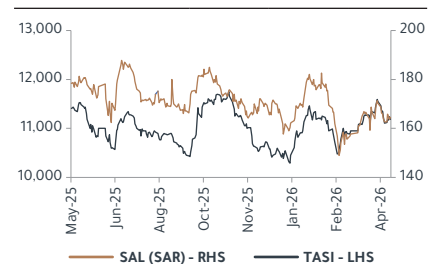
Source: Company reports, Aljazira Capital Research

**Key Market Data**

Market Cap(bn)	13.2
YTD%	2.5%
52 week (High)/(Low)	192.00/148.20
Share Outstanding (mn)	80.0

Source: Company reports, Aljazira Capital Research

**Price Performance**



Source: Tadawul, Aljazira Capital Research

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RESEARCH  
DIVISION

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RATING  
TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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