

Catrion Catering Holding Co. (BUY, TP: SAR 91, 6004. SE) 1Q26 Results Review

Earnings to remain resilient, supported by the non-aviation segment. Maintain Buy.

CATERING reported a net profit of SAR 80mn in 1Q26 (EPS: SAR 0.98), representing an increase of 7.5% Y/Y and 5.2% Q/Q. Revenue grew on both a yearly and sequential basis. Gross profit improved Y/Y, although gross margin contracted, while both gross profit and gross margin expanded Q/Q. Operating expenses remained broadly flat Y/Y but declined sequentially. Supported by higher revenue and gross profit, operating income increased during the quarter. Net profit margin stood at 12.1%.

- The Y/Y increase in revenue was primarily driven by the non-aviation segment, which recorded a strong 44% growth, followed by revenue growth of 20% and 3% in the business lounge and inflight catering (IFC) segments, respectively. Growth in the non-aviation segment was supported by contributions from the Red Sea project and the consolidation of Al Khalejiah. Meanwhile, revenue growth in the IFC segment was constrained by a 7% Y/Y decline in revenue per flight, reflecting lower meals served per flight (-5% Y/Y) and a 1% Y/Y decline in meal pricing. On a sequential basis, total revenue remained broadly stable, increasing by just 0.2% Q/Q. The modest growth was driven by a 13% increase in non-aviation revenue, which partly offset declines in the IFC, retail, and business lounge segments, where revenues fell by 4%, 55%, and 1% Q/Q, respectively.
- Gross profit recorded healthy growth of 9.7% Y/Y; however, gross margin contracted by 76bps. The margin compression was driven by a 13.9% Y/Y increase in costs, which outpaced revenue growth during the period. On a sequential basis, gross profit increased modestly by 1.7%, while gross margin expanded by 42bps, supported by a decline in cost of sales.
- Operating expenses stood at SAR 83mn in 1Q26, remaining broadly flat Y/Y but declining 8.7% Q/Q.
- Supported by strong revenue growth and healthy gross profit generation, along with stable operating expenses, operating profit increased to SAR 103mn, up 18.7% Y/Y and 12.0% Q/Q.
- Net profit reached SAR 80mn in 1Q26, compared with SAR 75mn in 1Q25 and SAR 76mn in 4Q25. Net margin stood at 12.1%, declining 572bps Y/Y but improving 58bps Q/Q.
- The company delivered Y/Y revenue growth for the 20th consecutive quarter. In 1Q26, growth was primarily driven by the non-aviation segment, while growth in the inflight catering (IFC) segment moderated. The strong performance of the non-aviation business was supported by the Red Sea contract and the consolidation of Al Khalejiah Catering Company (AKCC). Within the IFC segment, the number of catered flights increased 11% Y/Y, largely reflecting stronger traffic during January and February 2026. However, international flights declined significantly to 8.6k in March 2026 from 11.7k in January 2026, highlighting the impact of regional disruptions. With a preliminary agreement now in place to end the conflict, we expect flight operations to gradually normalize. Nevertheless, 2026 traffic levels are likely to remain below the growth expectations held at the start of the year. As 1Q26 reflected only one month of disruption, we expect the impact on the IFC segment to be more evident in 2Q26. Despite this headwind, the company's earnings profile should remain resilient, supported by the consolidation of AKCC and the continued ramp-up of Red Sea operations. While inbound tourism may face near-term pressure, we expect a strong recovery once operating conditions stabilize. Following the incorporation of 1Q26 results, we have updated our model by reducing our total flight assumptions for 2026–2028 by an average of 4%, while also incorporating AKCC into our forecasts. As a result, we have increased our target price by 7%. The stock currently trades at 2026F P/BV and P/E multiples of 3.7x and 19.8x, respectively, while offering a dividend yield of 3.3%. Maintain Buy.

Rating and Risks

We are Buy rated on CATERING with a 12-month price target of SAR 91. Upside risks include a higher-than-expected increase in air traffic and the signing of major new contracts with international airlines. Downside risks include termination/changes in the contracts with airlines, and a slowdown in the global economy could impact air traffic and passenger growth.

SAR mln	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Revenues	664	663	589	0.2%	12.7%
Cost of Sales	478	480	419	-0.4%	13.9%
Gross Profit	186	183	170	1.7%	9.7%
Operating Expenses	83	91	83	-8.7%	0.2%
Operating Profit	103	92	87	12.0%	18.7%
Net Income	80	76	75	5.2%	7.5%
EPS	0.98	0.93	0.91	5.2%	7.5%

Margins (%)					
Gross Margin	28.1	27.6	28.8	42 bps	-76 bps
Operating Margin	15.5	13.9	14.8	164 bps	80 bps
Net Margin	12.1	11.5	17.8	58 bps	-572 bps

Rating Summary and Forecasts

Rating Summary

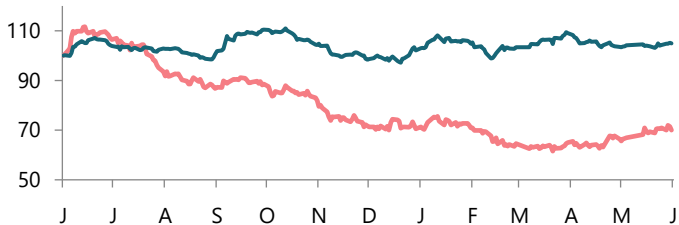
Rating	BUY
Market Price	76
12-month Target Price	91
Upside / Downside	19%
Mkt Cap (SAR mn)	6,228
52 week High/Low	SAR 126.40/67.50

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	314	314	365	418
PER (x)	19.9	19.8	17.1	14.9
PBV (x)	4.0	3.7	3.5	3.3
EPS (SAR)	3.8	3.8	4.5	5.1
DPS (SAR)	2.3	2.5	3.1	4.1
RoE (%)	20%	19%	20%	22%
Dividend Yield (%)	3.0%	3.3%	4.1%	5.4%

Price Chart

● CATRION ● TASI



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

Saudi Fransi Capital (Closed Joint Stock Company Owned by BSF)

Authorized and regulated under Capital Market Authority license 11153-37. The company is operating under commercial registration 1010231217 with a paid up capital of SAR 500,000,000.

Head Office
8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

Mailing Address
P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6828 | 800 125 9999
www.bsfcapital.sa

Important Disclaimer

This report is prepared by Saudi Fransi Capital (“SFC”), a fully-fledged investment firm providing investment banking, asset management, securities brokerage, research, and custody services. SFC, and its affiliate, might conduct business relationships with the company that is subject of this report and/ or own its security.

This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report.

This report is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This report is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report is not intended to take into account any investment suitability needs of the recipient. In particular, this report is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this report. SFC strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs.

To the maximum extent permitted by applicable law and regulation, SFC shall not be liable for any loss that may arise from the use of this report or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this report may not be realized. All opinions and estimates included in this report constitute SFC’s judgment as of the date of production of this report, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than what he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this report may be reproduced without the written permission of SFC. Neither this report nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this report should make themselves aware of, and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.