

# Catrion Catering Holding Co. (BUY, TP: SAR 85, 6004. SE) 4Q25 Results Review

*Inorganic growth and non-airline operations to support earnings as geopolitical tensions disrupt flight operations. Maintain Buy.*

**CATERING** reported a net profit of SAR 76mn (EPS: SAR 0.93) in 4Q25, down 22.6% Y/Y and 21.2% Q/Q. Revenue was up Y/Y and Q/Q. Gross profit advanced Y/Y and Q/Q despite a decline in gross margins. Operating expenses were up significantly that led to a decline in operating income Y/Y and Q/Q. Net margin stood at 11.5%.

- Revenue rose 11.5% Y/Y and 7.4% Q/Q to SAR 663mn in 4Q25. This is attributed to a 28% Y/Y and 35% Q/Q growth in the non-airline business revenue driven by the commencement of operation at the Red Sea project. Revenue was further supported by the IFC segment (+9% Y/Y and +2% Q/Q) as the number of flights catered by the company rose 17% Y/Y. Business Lounge revenue jumped 15% Y/Y and 4% Q/Q, with the number of lounge passengers recorded a growth of 11% Y/Y.
- Gross profit stood at SAR 183mn an increase of 5% Y/Y and 2% Q/Q in 4Q25 despite gross margins declining by 173bps Y/Y and 145bps Q/Q. The increase in gross profit is mainly due to higher revenue.
- Operating expenses in 4Q25 jumped 44.1% Y/Y and 55.8% Q/Q driven by higher admin expenses that were up 56% Y/Y and 44% Q/Q.
- Despite higher revenue and gross profit, operating profit declined to SAR 67mn, down 28.7% Y/Y and 36.2% Q/Q. The decline is attributed to higher operating expenses.
- Net profit in 4Q25 stood at SAR 76mn, down from SAR 99mn in 4Q24 and SAR 97mn in 3Q25, primarily attributable to higher operating expenses and finance cost.
- The company recorded Y/Y topline growth for the 19th consecutive quarter, driven by continued expansion in in-flight catering (IFC) and business lounge segments. During the quarter, flights and guests served rose 17% and 11% Y/Y, respectively. Non-airline revenue remained a key growth driver, increasing 28% Y/Y in 4Q25, supported by the launch of operations at the Red Sea project. Looking ahead, geopolitical tensions have begun to disrupt flight operations. While January and February 2026 remained stable, March saw noticeable impact, partially offset by Umrah-related traffic, we believe. A more pronounced effect on IFC is expected from 2Q26 if disruptions persist. Despite this, overall performance should remain resilient, supported by the 55% acquisition of Al Khalejah Catering Company and ramp-up of Red Sea operations. The company will consolidate Al Khalejah from 1Q26, which we estimate will contribute SAR 28mn and SAR 31mn to earnings in 2026 and 2027, respectively (not currently reflected in our forecasts). Although inbound tourism may face short-term pressure, we expect a sharp recovery as conditions stabilize, with the country remaining on track toward its 2030 targets. The non-airline segment continues to play a critical role in diversification, with management targeting high-margin opportunities in healthcare and giga-projects within the SAR 27bn integrated hospitality market, where current penetration remains limited. We have reduced flight assumptions by an average of 6% for 2026–2028, lowering our target price by 13%. The stock trades at 3.3x/17.7x 2026F PBV/PE, with a dividend yield of 3.7%. Maintain Buy.*

## Rating and Risks

We are Buy rated on CATERING with a 12-month price target of SAR 85. 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	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenues	663	617	594	7.4%	11.5%
Cost of Sales	480	438	420	9.6%	14.3%
Gross Profit	183	180	175	2.0%	5.0%
Operating Expenses	116	75	81	55.8%	44.1%
Operating Profit	67	105	94	-36.2%	-28.7%
Net Income	76	97	99	-21.2%	-22.6%
EPS	0.93	1.18	1.20	-21.2%	-22.6%

Margins (%)	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Gross Margin	27.6	29.1	29.4	-145 bps	-173 bps
Operating Margin	10.1	17.0	15.8	-691 bps	-569 bps
Net Margin	11.5	15.7	23.5	-419 bps	-1,199 bps

## Rating Summary and Forecasts

### Rating Summary

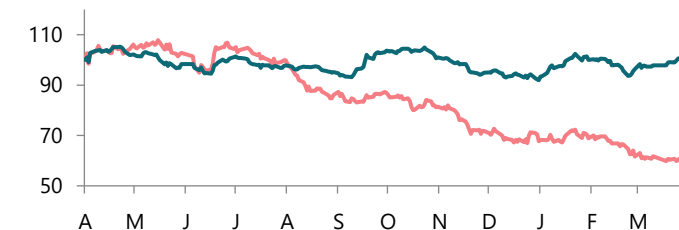
Rating	BUY
Market Price	68
12-month Target Price	85
Upside / Downside	25%
Mkt Cap (SAR mn)	5,551
52 week High/Low	SAR 126.40/68.60

### Forecasts

	12/25 A	12/26 A	12/27 E	12/28 E
Net Income (SAR mn)	314	313	353	422
PER (x)	17.7	17.7	15.7	13.2
PBV (x)	3.5	3.3	3.1	3.0
EPS (SAR)	3.8	3.8	4.3	5.1
DPS (SAR)	2.3	2.5	3.0	4.1
RoE (%)	20%	19%	20%	23%
Dividend Yield (%)	3.4%	3.7%	4.5%	6.1%

## Price Chart

● CATRION ● TASI



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## 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.

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#### 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](http://www.bsfcapital.sa)

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