INVESTMENT RESEARCH – Saudi Arabia

Astra Industrial Group

Sector : Conglomerate

NEUTRAL

09 August 2026

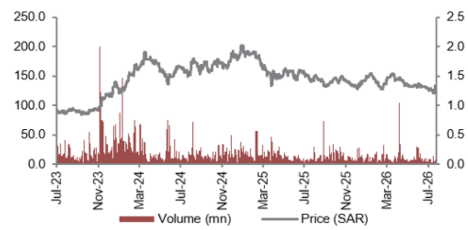
- **Consolidated revenue grew by 8% YoY in 2Q26, beating our estimate by 10.3%. While the pharma segment outperformed, specialty chemicals remained flattish and steel segment revenue declined by 24% YoY.**
- **Gross margin improved by 385bps YoY in 2Q26 but higher opex weighed on the operating profit resulting in a modest growth in net profit by 2% YoY.**
- **We retain our revenue estimate but reduce our profit forecast on the back of margin pressure. Our target price stands revised at SAR 128.52 per share, recommend a Neutral rating.**

Revenue in 2Q26 exceeded our expectations, primarily driven by stronger-than-anticipated performance in the pharmaceutical (Tabuk) segment. Despite the moderation in the Saudi pharmaceutical market, pharmaceutical revenue increased 25.0% YoY, supported by higher volumes from government. Nevertheless, the business continues to face several operational headwinds, including toll manufacturing delays, liquidity constraints among distributors, slower growth in the private sector, logistical bottlenecks, and the ongoing reorientation of the Wasfaty program. Although the company has introduced several new products, their contribution to revenue remains at an early stage. The specialty chemicals segment delivered broadly flat performance during the quarter, reflecting supply chain disruptions that constrained growth. Meanwhile, the steel segment reported a 23% YoY decline in revenue due to project delays and weaker customer spending amid a challenging macroeconomic environment.

Pharmaceutical gross margin declined to 59%, compared with the historical range of 62-65%, primarily reflecting the higher contribution of lower-margin government business. Margins were also impacted by elevated API procurement costs and higher production expenses. Management indicated that current margin levels are likely to persist until demand from the private sector improves. Conversely, the specialty chemicals business benefited from volatility in raw material prices, supporting overall group profitability. As a result, consolidated gross margin expanded by 385bps YoY, leading to an 18.0% YoY increase in gross profit. However, these gains were more than offset by a sharp increase in SG&A expenses, driven by wage inflation and the absence of a one-off cost reversal recorded in the prior-year period. Consequently, operating profit declined 5.0% YoY. Lower finance costs partially mitigated the impact of weaker operating earnings, resulting in a 2.0% YoY increase in net profit, which exceeded our estimate by 5.3%. Receivable collections also slowed during the quarter, leading to higher working capital requirements and a longer cash conversion cycle.

Valuation: We expect the pharmaceutical business to continue delivering modest growth in both revenue and profitability, while the non-pharmaceutical businesses are likely to remain under pressure until the operating environment normalizes. Consequently, we expect 2H26 performance to be weaker than 1H26. Following the current results, we maintain our 2026e revenue forecast of SAR 3.0bn, while lowering our net profit estimate to SAR 684mn to reflect continued margin pressure. Accordingly, we revise our target price to SAR 124.25 per share. Given the elevated risk premium and weaker profitability outlook, we maintain our Neutral recommendation on the stock.

Target price (SAR)	128.52
Current price (SAR)	136.60
Return	5.9%



Exchange	Saudi Arabia
Index weight (%)	0.2%

(mn)	SAR	USD
Market Cap	10,664	2,879
Enterprise value	10,187	2,750

Major shareholders	
Arab Supply & Tradin	47.1%
Al Utaibi Mohammad	2.0%
Vanguard Group Inc/T	1.1%
Others	49.8%

Valuation Summary (TTM)	
PER TTM (x)	13.7
P/Book (x)	3.4
EV/EBITDA (x)	11.4
Dividend Yield (%)	2.7
Free Float (%)	50%
Shares O/S (mn)	80
YTD Return (%)	-6%
Beta	0.9

Key ratios	2023	2024	2025
EPS (SAR)	5.94	7.37	8.33
BVPS (SAR)	26.64	31.64	37.02
DPS (SAR)	2.50	3.00	3.50
Payout ratio (%)	42%	41%	42%

Price performance (%)	1M	3M	12M
Astra Industrial Group Co	2%	0%	-7%
Tadawul All Share Index	1%	-1%	-1%

52 week	High	Low	CTL*
Price (SAR)	156.80	120.30	10.8

* CTL is % change in CMP to 52wk low

Income Statement (In SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Revenue	2,820	3,062	3,071	3,061	3,223	3,396	3,582	3,780
Cost of goods sold	-1,637	-1,720	-1,657	-1,583	-1,673	-1,750	-1,832	-1,920
Gross profit	**1,182**	**1,342**	**1,414**	**1,478**	**1,550**	**1,646**	**1,749**	**1,860**
Selling and distribution exp	-376	-412	-427	-432	-451	-475	-501	-529
General and administrative exp	-234	-224	-229	-269	-242	-255	-269	-284
Provision for impairment	-14	-19	-22	-5	-24	-26	-27	-29
Research expenses	-26	-29	-41	-36	-32	-34	-36	-38
Operating profit	**533**	**658**	**695**	**736**	**800**	**856**	**916**	**981**
EBITDA	**624**	**739**	**769**	**817**	**890**	**955**	**1,026**	**1,101**
Share of profit (loss) of JV	-	-	26	-	30	30	30	30
Finance costs	-71	-107	-51	-63	-63	-73	-83	-103
Other income (Net)	50	75	51	51	25	25	25	25
PBT	**513**	**626**	**721**	**750**	**792**	**838**	**889**	**933**
Zakat and income tax expense	-29	-73	-54	-66	-79	-84	-89	-93
Net Profit before disc ops	**484**	**553**	**667**	**684**	**713**	**754**	**800**	**840**
Discontinued operation	-11	48	-	-	-	-	-	-
Net Profit	**473**	**601**	**667**	**684**	**713**	**754**	**800**	**840**
NCI	-2	12	-	-	-	-	-	-
Net Profit to shareholders	**475**	**589**	**667**	**684**	**713**	**754**	**800**	**840**

Balance Sheet (in SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Property, plant and equipment	756	818	905	1,003	1,106	1,245	1,386	1,531
Intangible assets	77	76	55	88	88	88	88	88
Non-current assets	7	653	1,477	1,459	1,459	1,759	2,059	2,359
Non-current assets	**840**	**1,547**	**2,437**	**2,550**	**2,653**	**3,092**	**3,533**	**3,978**
Inventories	716	686	731	713	753	788	825	864
Trade receivables	944	1,121	1,010	1,224	1,289	1,358	1,433	1,512
Other current assets	150	128	89	97	99	104	109	115
Time deposits	563	668	103	216	216	216	216	216
Cash and cash equivalents	1,058	178	54	233	267	205	247	353
Current assets	**3,432**	**2,781**	**1,988**	**2,483**	**2,624**	**2,670**	**2,830**	**3,060**
ASSETS	**4,272**	**4,328**	**4,424**	**5,032**	**5,278**	**5,762**	**6,363**	**7,038**
Share capital	800	800	800	800	800	800	800	800
Reserves	377	-21	-7	24	24	24	24	24
Retained earnings	951	1,745	2,169	2,572	3,012	3,481	3,979	4,499
NCI	3	7	-1	-1	-1	-1	-1	-1
EQUITY	**2,131**	**2,531**	**2,961**	**3,396**	**3,835**	**4,304**	**4,802**	**5,323**
Loans and lease liabilities	160	75	74	67	67	67	67	67
Due to related parties	-	6	5	6	-	-	-	-
Employees defined benefit liabilities	145	157	170	175	157	166	175	184
Non-current liabilities	**305**	**238**	**249**	**248**	**224**	**233**	**242**	**252**
Trade payables	239	236	273	269	284	298	311	326
Accrued expenses and other current liabilities	613	762	639	713	502	438	458	480
Loans and lease liabilities	812	441	159	247	247	297	347	447
Other current liabilities	172	120	143	160	185	193	202	210
Current liabilities	**1,836**	**1,559**	**1,214**	**1,389**	**1,218**	**1,225**	**1,319**	**1,463**
LIABILITIES	**2,141**	**1,797**	**1,463**	**1,637**	**1,442**	**1,458**	**1,560**	**1,715**
EQUITY AND LIABILITIES	**4,272**	**4,328**	**4,424**	**5,032**	**5,278**	**5,762**	**6,363**	**7,038**

Cash Flow (In SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Cash from operations	681	729	807	757	620	826	973	1,041
Investing cash flow	-88	-746	-342	-381	-312	-654	-678	-716
Financing cash flow	-228	-865	-521	-199	-274	-235	-252	-220
Change in cash	382	-880	-123	178	34	-63	43	106
Beginning cash	676	1,058	178	55	233	267	205	247
Ending cash	**1,058**	**178**	**55**	**233**	**267**	**205**	**247**	**353**

Ratio Analysis	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Per Share								
EPS (SAR)	5.9	7.4	8.3	8.5	8.9	9.4	10.0	10.5
BVPS (SAR)	26.6	31.6	37.0	42.4	47.9	53.8	60.0	66.5
DPS (SAR)	2.5	3.0	3.5	3.4	3.6	3.8	4.0	4.2
FCF per share (SAR)	7.4	-0.2	5.8	4.7	3.9	2.2	3.7	4.1
Valuation								
Market Cap (SAR mn)	9,488	14,400	11,336	10,928	10,928	10,928	10,928	10,928
EV (SAR mn)	9,401	14,738	11,514	11,009	10,975	11,087	11,095	11,089
EBITDA	624	739	769	817	890	955	1,026	1,101
P/E (x)	20.0	24.4	17.0	16.0	15.3	14.5	13.7	13.0
EV/EBITDA (x)	15.1	19.9	15.0	13.5	12.3	11.6	10.8	10.1
Price/Book (x)	4.5	5.7	3.8	3.2	2.8	2.5	2.3	2.1
Dividend Yield (%)	2.1%	1.7%	2.5%	2.5%	2.6%	2.8%	2.9%	3.1%
Price to sales (x)	3.4	4.7	3.7	3.6	3.4	3.2	3.1	2.9
EV to sales (x)	3.3	4.8	3.7	3.6	3.4	3.3	3.1	2.9
Liqiudity								
Cash Ratio (x)	0.58	0.11	0.04	0.17	0.22	0.17	0.19	0.24
Current Ratio (x)	1.87	1.78	1.64	1.79	2.15	2.18	2.15	2.09
Quick Ratio (x)	1.48	1.34	1.04	1.27	1.54	1.54	1.52	1.50
Returns Ratio								
ROA (%)	11.1%	13.6%	15.1%	13.6%	13.5%	13.1%	12.6%	11.9%
ROE (%)	22.3%	23.3%	22.5%	20.1%	18.6%	17.5%	16.7%	15.8%
ROCE (%)	19.5%	21.3%	20.8%	18.8%	17.6%	16.6%	15.9%	15.1%
Cash Cycle								
Inventory turnover (x)	2.3	2.5	2.3	2.2	2.2	2.2	2.2	2.2
Accounts Payable turnover (x)	6.8	7.3	6.1	5.9	5.9	5.9	5.9	5.9
Receivables turnover (x)	3.0	2.7	3.0	2.5	2.5	2.5	2.5	2.5
Inventory days	160	146	161	164	164	164	164	164
Payable Days	53	50	60	62	62	62	62	62
Receivables days	122	134	120	146	146	146	146	146
Cash Cycle	228	229	221	248	248	248	248	248
Profitability Ratio								
Net Margins (%)	16.9%	19.2%	21.7%	22.3%	22.1%	22.2%	22.3%	22.2%
EBITDA Margins (%)	22.1%	24.1%	25.1%	26.7%	27.6%	28.1%	28.6%	29.1%
PBT Margins (%)	18.2%	20.4%	23.5%	24.5%	24.6%	24.7%	24.8%	24.7%
EBIT Margins (%)	18.9%	21.5%	22.6%	24.0%	24.8%	25.2%	25.6%	26.0%
Effective Tax Rate (%)	5.6%	11.7%	7.5%	8.8%	10.0%	10.0%	10.0%	10.0%
Leverage								
Total Debt (SAR mn)	971	516	233	314	314	364	414	514
Net Debt (SAR mn)	-87	338	178	81	47	159	167	161
Debt/Equity (x)	0.5	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Net Debt/Equity (x)	-0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0

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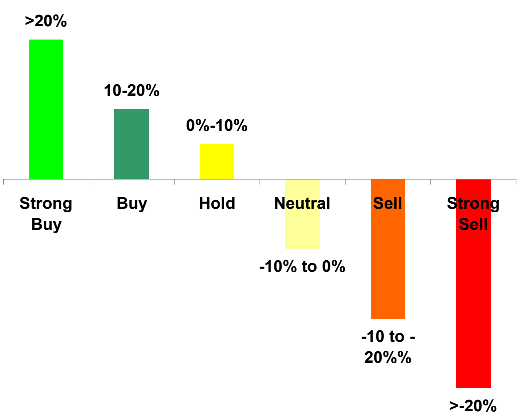
Rating Criteria and Definitions

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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