INVESTMENT RESEARCH – Saudi Arabia

Saudi Logistics Services Co

HOLD

Sector : Logistics

16 August 2026

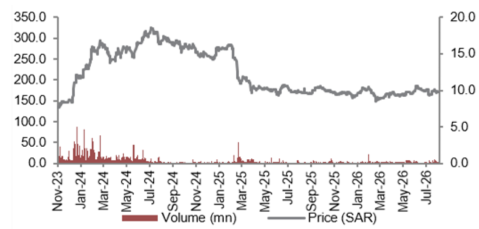
- **Revenue grew 30% YoY in 2Q26, driven by strong logistics and air cargo performance.**
- **Gross margin improved YoY and exceeded forecast, while net margin slightly fell short of expectation.**
- **Net profit up 18% YoY and outperformed our estimate by 11%.**
- **For 2026e, we raise our revenue forecast to SAR 2.15bn and profit to SAR 803mn. We maintain our target price of SAR 187/share and retain our HOLD rating.**

SAL reported 2Q26 revenue of SAR 512mn, up 30% YoY and 12.6% above our forecast, reflecting revival of air-cargo activity and normalization in supply chains. Revenue for 1H26 grew 23% YoY to SAR 958mn. Growth during the quarter was primarily driven by strong import demand, pricing, changes in cargo mix and enhancements in the service list offerings. Air cargo, accounting 86% of total revenue, grew 29% YoY in 2Q26, supported by 9% YoY increase in cargo volumes. Air cargo activity recovered in 2Q26 as airspace restrictions eased and airline operations resumed. Import volumes increased significantly, supported by strong demand for higher-value air cargo shipments. However, shipping routes continue to be affected by geopolitical disruptions. The CargoGate platform continued to improve cargo visibility, customer experience and operational efficiency, while reducing wait times and enhancing security and traceability. Logistics revenue increased 34% YoY in 2Q26 owing to higher warehouse utilization, stronger road and feeder services activity and growth in contract logistics.

Gross margin improved 160bps YoY to 58.4% in 2Q26, as direct costs grew at a slower pace than revenue, rising 25% YoY. However, net operating expenses rose 67% YoY due to higher administrative, selling and distribution costs. As a result, EBIT and EBITDA margins narrowed by 210 and 190bps YoY to 41.6% and 47.5% respectively. Finance income increased 1.5x YoY on improved cash balances, while finance costs more than doubled YoY due to higher debt levels following the SAR 1bn Sukuk program introduced to support the capex requirements. Overall, net profit reached SAR 191mn, up 18% YoY, while net margin contracted by 380bps YoY to 37.4% in 2Q26. Profit exceeded our forecast by 11%, although net margin slightly fell short of expectations due to higher-than-expected finance and tax expenses. Nevertheless, gross and EBIT margins exceeded our expectations, indicating stronger than anticipated operating performance. Net profit for 1H26 grew 10% YoY to SAR 348mn. For 2Q26, SAL announced a cash dividend of SAR 143mn, equivalent to SAR 1.79/share, representing a payout ratio of 75%.

During the quarter, SAL expanded its airline partnerships with Singapore Airlines, SF Airlines, Fly Khiva, and Centrum Air. The logistics division also extended its customer base through new wins, including Medlog, Saudia Technic and SGS. Recently, SAL completed the 100% acquisition of Aviapartner Leige for SAR 123mn, with consolidation expected to begin in 3Q26. This marks the company's first international expansion and establishes SAL International Ground Handling B.V. in the Netherlands as a regional office for its European presence.

Target price (SAR)	**187.00**
Current price (SAR)	**171.50**
Return	**9.0%**



Exchange	Saudi Arabia
Index weight (%)	0.30%

(mn)	SAR	USD
Market Cap	13,720	3,659
Enterprise value	15,645	4,169

Major shareholders	
Saudi Arabian Airlin	49%
Vision International	6.4%
Vanguard Group Inc/T	2.2%
Others	42.4%

Valuation Summary	
PER TTM (x)	18.8
P/Book (x)	8.1
EV/EBITDA (x)	15.3
Dividend Yield (%)	4.0
Free Float (%)	42%
Shares O/S (mn)	80
YTD Return (%)	7%
Beta	1.0

Key ratios	2023	2024	2025
EPS (SAR)	6.37	8.27	8.72
BVPS (SAR)	15.43	17.53	20.28
DPS (SAR)	4.40	5.99	6.54
Payout ratio (%)	69%	72%	75%

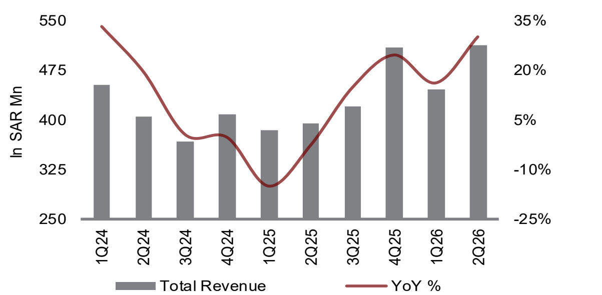
Price performance (%)	1M	3M	12M
SAL Saudi Logistics Ser	-3%	5%	0%
Tadawul All Share Index	1%	-2%	0%

52 week	High	Low	CTL*
Price (SAR)	186.0	148.2	15.7

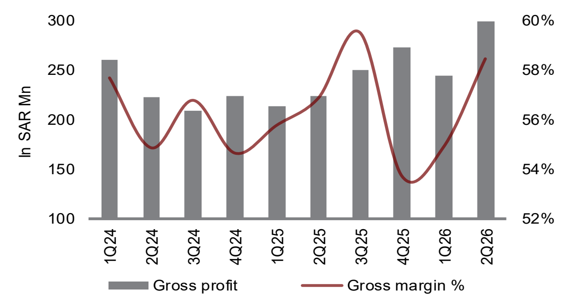
* CTL is % change in CMP to 52wk low

Valuation and outlook: SAL's infrastructure and operational agility have enabled it to adapt to changing cargo flows, maintain service continuity and support customers throughout the period. Saudi Arabia's position as a leading regional cargo and transit hub also continues to create opportunities for additional cargo flows. Accordingly, the company expects to expand its cargo handling capacity from the current 1mn Kgs to 2.2mn Kgs by the end of 2028. As of 1H26, SAR 845mn representing more than 52% of the planned 2026 capex program, had already been committed through signed contracts and awarded projects. SAL Zones has also advanced into active development, with Phase 1 construction underway, including its first pre-built warehouses, labor accommodation, roads, utilities and supporting infrastructure. Phase 1 remains on track for completion in 2027-28, laying the foundation for the company's next long-term growth platform. Management remains cautiously optimistic about 2H26 and continues to closely monitor market developments. The company plans to focus increasingly on imports, which offer higher yields and expects cargo volume growth to remain at similar levels, provided resilient import activity continues. Given the stronger-than-expected revenue and profitability, with gross and EBIT margins also outperforming our forecasts, we raise our 2026e revenue forecast to SAR 2.15bn (from SAR 1.9bn) and increase our net profit to SAR 803mn (from SAR 736mn). However, given persistent geopolitical tensions, we retain our target price of SAR 187, implying 9% upside from current levels and maintain our HOLD rating on the stock.

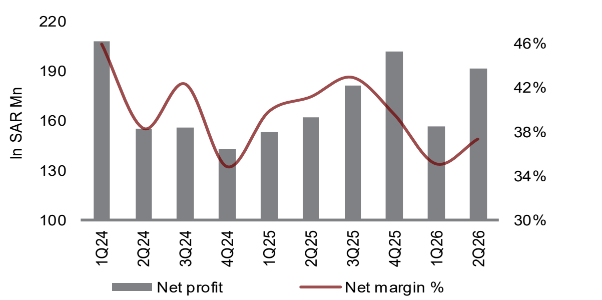
Revenue grew, driven by a recovery in air cargo activity



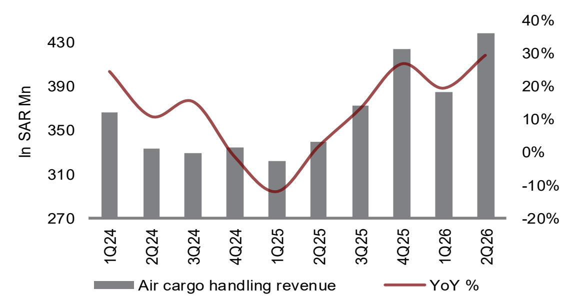
Gross profit improved on contained direct costs



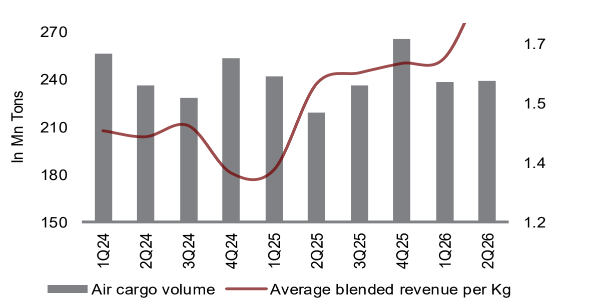
Higher finance and operating costs weigh on net margin



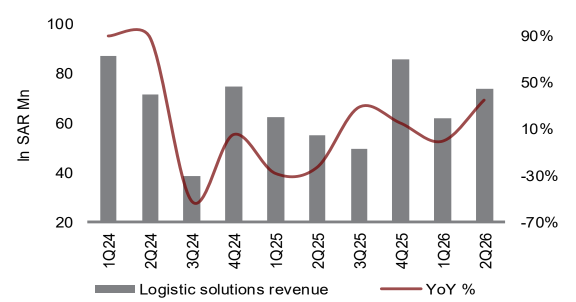
Cargo handling revenue rose on improved volumes



Cargo volume rose on strong import demand



Logistics revenue up on higher warehouse utilization



Income statement (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	1,223	1,456	1,634	1,708	2,147	2,345	2,561	2,797
Cost of revenue	-632	-680	-719	-746	-920	-1,020	-1,114	-1,217
Gross Profit	**591**	**776**	**915**	**962**	**1,227**	**1,325**	**1,447**	**1,580**
Administrative and general expenses	-147	-142	-176	-196	-264	-258	-282	-308
Other operating Income / (expense)	13	5	2	2	1	5	5	6
Selling and distribution expenses	-30	-33	-48	-42	-62	-70	-77	-84
EBIT	**427**	**586**	**709**	**727**	**882**	**1,001**	**1,094**	**1,194**
EBITDA	**545**	**721**	**819**	**836**	**1,002**	**1,261**	**1,381**	**1,552**
Finance income	19	52	59	67	108	108	108	108
Finance costs	-75	-87	-74	-58	-143	-199	-214	-230
PBT	**370**	**550**	**694**	**737**	**847**	**911**	**988**	**1,072**
Zakat	-8	-41	-33	-39	-43	-46	-49	-54
Net Profit	**362**	**510**	**661**	**698**	**803**	**865**	**938**	**1,019**

Balance Sheet (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Property and equipment	705	709	720	808	1,816	2,598	2,734	3,625
Right-of-use assets	1,213	886	523	846	1,328	1,811	1,951	2,100
Other non current assets	14	26	12	22	59	59	59	59
Total non-current assets	**1,932**	**1,621**	**1,254**	**1,676**	**3,203**	**4,467**	**4,743**	**5,784**
Trade receivables	233	391	480	385	472	516	563	615
Other current assets	178	51	124	127	161	176	192	210
Short term Murabaha deposits	-	500	-	-	1,050	1,050	1,050	1,050
Cash and bank balances	940	710	1,362	1,542	1,195	657	974	613
Total current assets	**1,351**	**1,664**	**1,978**	**2,053**	**2,879**	**2,399**	**2,779**	**2,488**
Total Assets	**3,284**	**3,285**	**3,232**	**3,729**	**6,082**	**6,866**	**7,522**	**8,272**
Share capital	800	800	800	800	800	800	800	800
Reserves	47	101	101	102	102	102	102	102
Retained earnings	227	333	501	721	1,001	1,263	1,553	1,915
Total shareholders' equity	**1,073**	**1,234**	**1,402**	**1,622**	**1,902**	**2,165**	**2,454**	**2,816**
Long-term loan	500	567	560	480	1,931	1,931	2,131	2,331
Employees' end of service benefits	78	87	100	114	159	155	169	185
Lease liabilities	1,288	1,011	684	997	1,321	1,729	1,804	1,894
Total non-current liabilities	**1,866**	**1,665**	**1,343**	**1,591**	**3,411**	**3,815**	**4,105**	**4,409**
Current lease liabilities	64	69	34	26	147	192	200	210
Trade payables	65	45	127	119	156	173	189	207
Long term loan current portion	-	36	57	82	106	126	146	166
Other current liabilities	216	235	268	290	359	394	427	463
Total current liabilities	**344**	**385**	**487**	**516**	**769**	**886**	**963**	**1,047**
Total liabilities	**2,210**	**2,051**	**1,830**	**2,107**	**4,179**	**4,701**	**5,068**	**5,456**
Total equity and liabilities	**3,284**	**3,285**	**3,232**	**3,729**	**6,082**	**6,866**	**7,522**	**8,272**

Cash Flow (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	556	696	791	957	952	1,212	1,320	1,485
Investing cash flow	282	-596	432	-144	-2,159	-1,036	-402	-1,228
Financing cash flow	-389	-329	-572	-634	861	-715	-602	-617
Change in cash	448	-229	652	180	-347	-538	316	-360
Beginning cash	492	940	711	1,363	1,543	1,196	658	974
Ending cash	**940**	**711**	**1,363**	**1,543**	**1,196**	**658**	**974**	**614**

Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	4.5	6.4	8.3	8.7	10.0	10.8	11.7	12.7
BVPS (SAR)	13.4	15.4	17.5	20.3	23.8	27.1	30.7	35.2
DPS (SAR)	3.2	4.4	6.0	6.5	7.5	8.1	8.2	8.9
FCF per share (SAR)	10.5	1.2	15.3	10.2	-15.1	2.2	11.5	3.2
Valuation								
Market cap (SAR Mn)	8,480	15,552	20,208	12,832	13,720	13,720	13,720	13,720
EV (SAR Mn)	9,392	16,525	20,181	12,874	16,029	17,042	17,029	17,708
EBIDTA (SAR Mn)	545	721	819	836	1,002	1,261	1,381	1,552
P/E (x)	23.4	30.5	30.6	18.4	17.1	15.9	14.6	13.5
EV/EBITDA (x)	17.2	22.9	24.6	15.4	16.0	13.5	12.3	11.4
Price/Book (x)	7.9	12.6	14.4	7.9	7.2	6.3	5.6	4.9
Dividend Yield (%)	3.0%	2.3%	2.4%	4.1%	4.4%	4.7%	4.8%	5.2%
Price to sales (x)	6.9	10.7	12.4	7.5	6.4	5.9	5.4	4.9
EV to sales (x)	7.7	11.4	12.4	7.5	7.5	7.3	6.6	6.3
Liqiudity								
Cash Ratio (x)	2.7	1.8	2.8	3.0	1.6	0.7	1.0	0.6
Current Ratio (x)	3.9	4.3	4.1	4.0	3.7	2.7	2.9	2.4
Returns Ratio								
ROA (%)	11.0%	15.5%	20.5%	18.7%	13.2%	12.6%	12.5%	12.3%
ROE (%)	33.8%	41.3%	47.2%	43.0%	42.2%	40.0%	38.2%	36.2%
ROCE (%)	12.3%	17.6%	24.1%	21.7%	15.1%	14.5%	14.3%	14.1%
Cash Cycle								
Accounts Payable turnover (x)	9.7	15.2	5.6	6.3	5.9	5.9	5.9	5.9
Receivables turnover (x)	5.2	3.7	3.4	4.4	4.5	4.5	4.5	4.5
Payable Days	38	24	65	58	62	62	62	62
Receivables days	70	98	107	82	80	80	80	80
Cash Cycle	32	74	43	24	18	18	18	18
Profitability Ratio								
Net Margins (%)	29.6%	35.0%	40.5%	40.8%	37.4%	36.9%	36.6%	36.4%
EBITDA Margins (%)	44.6%	49.5%	50.1%	48.9%	46.7%	53.8%	53.9%	55.5%
PBT Margins (%)	30.3%	37.8%	42.5%	43.1%	39.4%	38.8%	38.6%	38.3%
EBIT Margins (%)	34.9%	40.3%	43.4%	42.6%	41.1%	42.7%	42.7%	42.7%
Effective Tax Rate (%)	2.2%	7.4%	4.8%	5.3%	5.1%	5.0%	5.0%	5.0%
Leverage								
Total Debt (SAR Mn)	1,852	1,683	1,335	1,584	3,505	3,979	4,282	4,602
Net Debt (SAR Mn)	912	973	-27	42	2,309	3,322	3,309	3,988
Debt/Equity (x)	1.7	1.4	1.0	1.0	1.8	1.8	1.7	1.6
Net Debt/EBITDA (x)	1.7	1.3	-0.0	0.1	2.3	2.6	2.4	2.6
Net Debt/Equity (x)	0.8	0.8	-0.0	0.0	1.2	1.5	1.3	1.4

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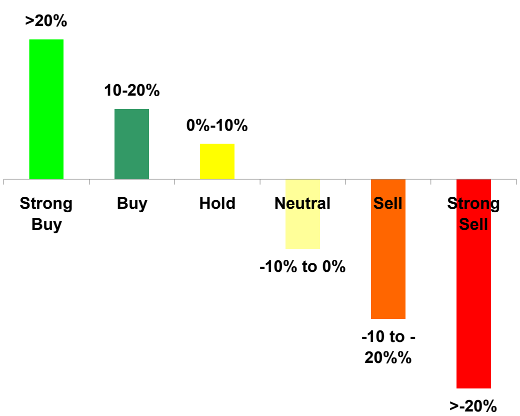
Rating Criteria and Definitions

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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