Result update

UNITED SECURITIES LLC
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INVESTMENT RESEARCH – Saudi Arabia

Catrion Catering Holding Co

HOLD

Sector : Support Services

1 September 2026

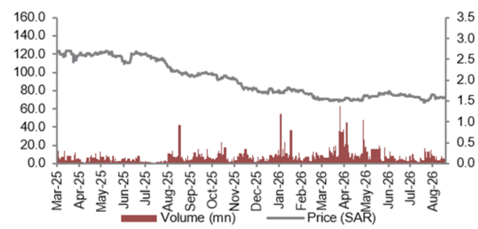
Target price (SAR)	**75.00**
Current price (SAR)	**71.30**
Return	**5.20%**

- **Revenue grew 20% YoY in 2Q26, driven by strong non-aviation revenue.**
- **Overall margins declined YoY and fell short of expectations.**
- **Profit down 28.5% YoY, underperforming our projections.**
- **For 2026e, we raise our revenue forecast to SAR 2.8bn and reduce profit to SAR 321mn. We downgrade our target price to SAR 75 per share and retain our HOLD rating.**

Catrion reported 2Q26 revenue of SAR 688mn, up 20% YoY and 14% above our forecast. Revenue for 1H26 grew 16.5% YoY to SAR 1.35bn. Growth during the quarter was primarily driven by strong non-aviation performance including the Red Sea project, as well as the consolidation of Al Khalejiah Catering company following the completion of its acquisition in March 2026. The in-flight catering segment, accounting for 71% of total revenue, grew 5.6% YoY, supported by strong growth in international passenger entry (+44% YoY) in the business lounge services, despite lower flight and meal volumes amid elevated flight cancellations due to regional disruptions. During the quarter, the company served 59k flights, down 10.3% YoY, while meals served decreased 11.3% YoY, broadly in line with the reduction in flights. Total lounge passenger volumes declined modestly by 1.8% YoY. The non-aviation revenue doubled YoY mainly driven by contributions from Red Sea Global (RSG) and healthcare services. Saudia, the company's major shareholder, remained the largest contributor to total revenue, accounting for 46% as of 1H26.

Gross profit growth was contained to 5.3% YoY, as direct costs outpaced revenue growth, rising 26% YoY. Consequently, gross margin narrowed by 350bps YoY to 24.4%. Operating profit remained broadly flat YoY, as an 11% YoY increase in net operating expenses, primarily due to higher allowances for expected credit losses, offset the revenue growth. As a result, EBIT margin contracted by 240bps YoY to 11.2%, while EBITDA margin improved by 180bps YoY to 20.7% on higher depreciation. Finance costs more than doubled YoY due to higher borrowings and lease liabilities, while finance income declined 89% YoY due to lower interest rate on deposits. The share of losses from investments also increased 77% YoY in 2Q26. Overall, net profit reached SAR 47mn, down 28.5% YoY, with net margin contracting by 460bps YoY to 6.8% in 2Q26. Profitability came in significantly below our estimate of SAR 79mn, margins across the board falling short of our projections. For 1H26, net profit declined 9% YoY to SAR 127mn. The company declared a cash dividend of SAR 82mn (SAR 1/share) for the 1H26.

Valuation and outlook: Catrion aims to maintain its leadership in aviation by strengthening its value proposition, expanding key account capabilities, supporting airport and lounge expansion, and focusing on profitable retail operations. In non-aviation, the company plans to scale up through Giga Projects, including Red Sea, NEOM, Sindalah Island and Ras Al-Khair, as well as integrated facility management and new sectors such as healthcare and events. The company also plans to drive profitable growth in existing segments while developing a more sustainable Hajj business model. During 2Q26, Catrion extended its contract with Flynas to perform inflight catering services, including the sale of onboard food, beverages, and other supplies, as well as logistics services. While revenue exceeded our forecast, profitability and overall margins fell short of expectations due to higher-than-expected costs. Accordingly, we raise our 2026e revenue estimate to SAR 2.8bn (from SAR 2.64bn) and reduce net profit to SAR 321mn (from SAR 361mn). Given persistent geopolitical tensions, growth risks remain elevated amid lower airspace activity. We therefore lower our target price to SAR 75 (from SAR 77 per share), implying a 5.2% upside from current levels, and retain our HOLD rating. The stock currently trades at 18.2x 2026e P/E.



Exchange	Saudi Arabia
Index weight (%)	0.2%

(mn)	SAR	USD
Market Cap	5,847	1,550
Enterprise value	7,044	1,867

Major shareholders	
Saudi Arabian Airlin	36%
Vanguard Group Inc/T	2.7%
Blackrock Inc	1.1%
Others	60.5%

Valuation Summary	
PER TTM (x)	19.7
P/Book (x)	3.7
EV/EBITDA (x)	12.3
Dividend Yield (%)	3.0
Free Float (%)	61%
Shares O/S (mn)	82
YTD Return (%)	-10%
Beta	0.9

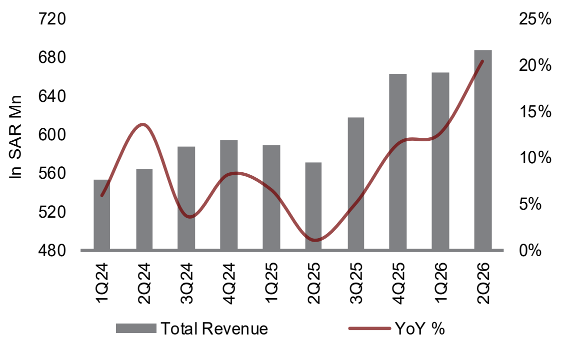
Key ratios	2023	2024	2025
EPS (SAR)	3.45	4.30	3.82
BVPS (SAR)	15.68	17.71	19.21
DPS (SAR)	2.10	2.30	2.30
Payout ratio (%)	61%	53%	60%

Price performance (%)	1M	3M	12M
Catrion Catering Holding	4%	-3%	-27%
Tadawul All Share Index	5%	1%	4%

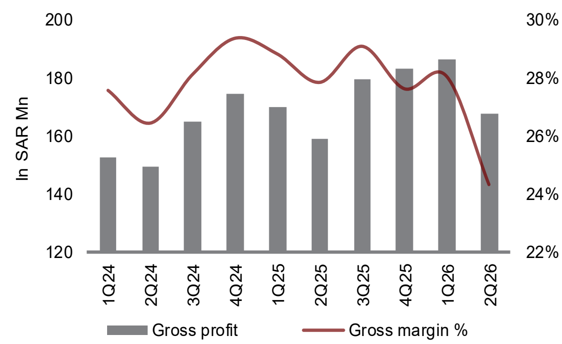
52 week	High	Low	CTL*
Price (SAR)	102.20	65.75	10.1

* CTL is % change in CMP to 52wk low

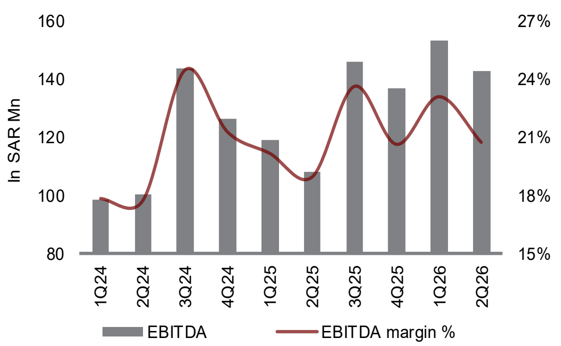
Revenue up 20% YoY driven by non-aviation segment



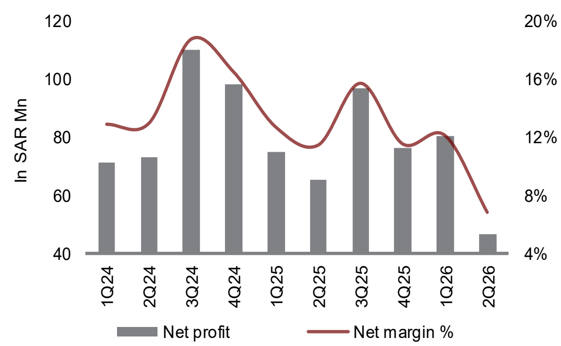
Direct cost inflation weighs on gross margins



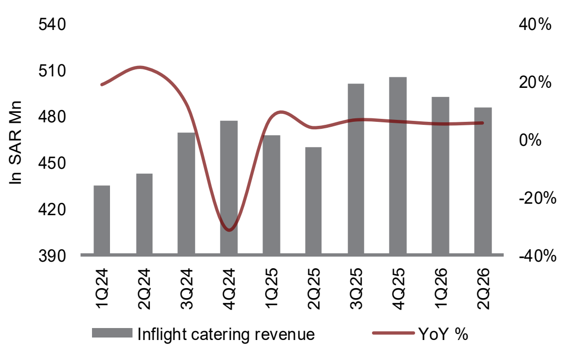
Higher depreciation boosts EBITDA margin



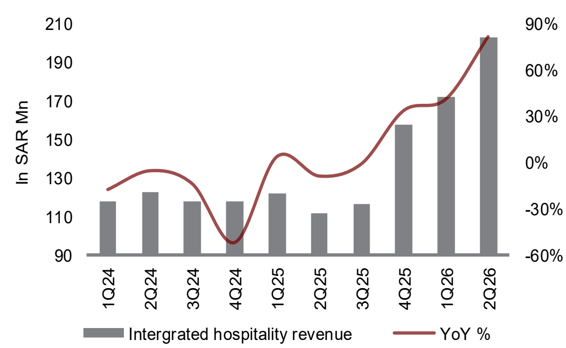
Net margin impacted by higher finance costs



In-flight catering grew a modest amid war tensions



Red Sea project underpins non-aviation growth



Income Statement (In SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	1,818	2,134	2,299	2,441	2,804	3,340	3,757	4,270
Direct Costs	-1,302	-1,568	-1,658	-1,749	-2,040	-2,421	-2,705	-3,053
Gross profit	**516**	**566**	**642**	**692**	**764**	**918**	**1,052**	**1,217**
Other income (Net)	27	29	19	45	18	20	20	20
General and administrative expenses	-232	-288	-298	-364	-345	-434	-488	-555
Other expenses	-27	-3	-2	-8	-15	-6	-6	-7
Operating Profit	**284**	**304**	**361**	**365**	**422**	**498**	**577**	**675**
EBITDA	**447**	**424**	**469**	**510**	**670**	**693**	**798**	**925**
Share of results from equity investments	18	15	11	-5	0	5	5	5
Finance income	1	17	24	15	3	15	15	15
Finance cost	-21	-20	-20	-44	-88	-63	-68	-74
Profit before Zakat (PBT)	**286**	**317**	**376**	**331**	**338**	**456**	**529**	**621**
Zakat and income tax	-29	-34	-23	-17	-16	-23	-26	-31
Net Profit	**257**	**283**	**353**	**314**	**321**	**433**	**502**	**590**

Balance Sheet (in SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Property, plant and equipment	341	415	805	1,263	1,406	1,616	1,849	2,112
Right of use assets	267	235	211	441	440	472	495	511
Investment property	31	29	27	25	24	24	24	24
Other non current assets	31	44	51	62	78	78	77	77
Non-current assets	**670**	**723**	**1,095**	**1,794**	**2,315**	**2,557**	**2,814**	**3,092**
Inventories	62	77	85	94	143	170	189	214
Trade and other receivables	799	601	721	1,061	1,318	1,570	1,766	2,007
Prepayments and other assets	68	86	156	104	140	167	188	214
Cash and cash equivalents	417	702	631	398	354	409	455	523
Current assets	**1,361**	**1,472**	**1,593**	**1,657**	**1,955**	**2,315**	**2,598**	**2,957**
ASSETS	**2,031**	**2,195**	**2,688**	**3,452**	**4,270**	**4,872**	**5,411**	**6,049**
Share capital	820	820	820	820	820	820	820	820
Statutory reserve	246	246	246	246	246	246	246	246
Retained earnings	54	220	386	510	643	883	1,125	1,413
EQUITY	**1,120**	**1,286**	**1,452**	**1,575**	**1,709**	**1,949**	**2,191**	**2,479**
Lease liabilities	175	150	165	393	82	99	116	135
Employees' end of service benefits	165	165	170	169	172	217	244	278
Long term bonus	8	12	4	8	12	12	12	12
Non-current liabilities	**349**	**327**	**497**	**951**	**888**	**949**	**993**	**1,046**
ST borrowing	-	-	4	23	82	82	82	82
Trade payable and other liabilities	409	462	663	823	1,081	1,283	1,434	1,618
Lease liabilities	132	94	52	65	467	559	657	766
Zakat liabilities	22	26	20	14	16	23	26	31
Current liabilities	**563**	**582**	**739**	**925**	**1,674**	**1,974**	**2,227**	**2,524**
LIABILITIES	**911**	**909**	**1,236**	**1,877**	**2,562**	**2,923**	**3,220**	**3,570**
EQUITY AND LIABILITIES	**2,031**	**2,195**	**2,688**	**3,452**	**4,270**	**4,872**	**5,411**	**6,049**

Cash Flow (In SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	346	608	462	320	570	522	658	754
Investing cash flow	-15	-123	-442	-547	-280	-334	-376	-427
Financing cash flow	-90	-200	-91	-6	-334	-133	-236	-259
Change in cash	241	285	-71	-233	-45	55	46	68
Beginning cash	176	417	702	631	398	353	408	454
Ending cash	**417**	**702**	**631**	**398**	**353**	**408**	**454**	**523**

Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	3.14	3.45	4.30	3.82	3.92	5.28	6.13	7.19
BVPS (SAR)	13.66	15.68	17.71	19.21	20.84	23.76	26.72	30.24
DPS (SAR)	0.50	2.10	2.30	2.30	2.35	3.17	3.68	4.31
FCF per share (SAR)	4.04	5.92	0.24	-2.76	3.53	2.29	3.45	3.99
Valuation								
Market Cap (SAR mn)	6,150	10,578	10,004	6,589	5,847	5,847	5,847	5,847
EV (SAR mn)	6,040	10,120	9,752	7,052	6,671	6,725	6,794	6,853
EBITDA	447	424	469	510	670	693	798	925
P/E (x)	23.9	37.4	28.4	21.0	18.2	13.5	11.6	9.9
EV/EBITDA (x)	13.5	23.9	20.8	13.8	10.0	9.7	8.5	7.4
Price/Book (x)	5.5	8.2	6.9	4.2	3.4	3.0	2.7	2.4
Dividend Yield (%)	0.7%	1.6%	1.9%	2.9%	3.3%	4.4%	5.2%	6.1%
Price to sales (x)	3.4	5.0	4.4	2.7	2.1	1.8	1.6	1.4
EV to sales (x)	3.3	4.7	4.2	2.9	2.4	2.0	1.8	1.6
Liqiudity								
Cash Ratio (x)	0.7	1.2	0.9	0.4	0.2	0.2	0.2	0.2
Current Ratio (x)	2.4	2.5	2.2	1.8	1.2	1.2	1.2	1.2
Quick Ratio (x)	2.3	2.5	2.2	1.8	1.2	1.2	1.2	1.2
Returns Ratio								
ROA (%)	12.7%	12.9%	13.1%	9.1%	7.5%	8.9%	9.3%	9.7%
ROE (%)	23.0%	22.0%	24.3%	19.9%	18.8%	22.2%	22.9%	23.8%
ROCE (%)	17.5%	17.5%	18.1%	12.4%	12.4%	14.9%	15.8%	16.7%
Cash Cycle								
Inventory turnover (x)	21.1	20.3	19.6	18.7	14.3	14.3	14.3	14.3
Accounts Payable turnover (x)	3.2	3.4	2.5	2.1	1.9	1.9	1.9	1.9
Receivables turnover (x)	2.3	3.5	3.2	2.3	2.1	2.1	2.1	2.1
Inventory days	17	18	19	20	26	26	26	26
Payable Days	115	108	146	172	193	193	193	193
Receivables days	161	103	115	159	172	172	172	172
Cash Cycle	63	14	-12	7	4	4	4	4
Profitability Ratio								
EBITDA Margins (%)	24.6%	19.9%	20.4%	20.9%	23.9%	20.7%	21.2%	21.7%
EBIT Margins (%)	15.6%	14.3%	15.7%	14.9%	15.1%	14.9%	15.4%	15.8%
PBT Margins (%)	15.7%	14.8%	16.3%	13.5%	12.0%	13.6%	14.1%	14.5%
Net Margins (%)	14.1%	13.2%	15.3%	12.8%	11.5%	13.0%	13.4%	13.8%
Effective Tax Rate (%)	10.0%	10.7%	6.1%	5.2%	4.9%	5.0%	5.0%	5.0%
Leverage								
Total Debt (SAR mn)	307	245	379	862	1,178	1,287	1,402	1,530
Net Debt (SAR mn)	-110	-458	-252	464	824	878	947	1,006

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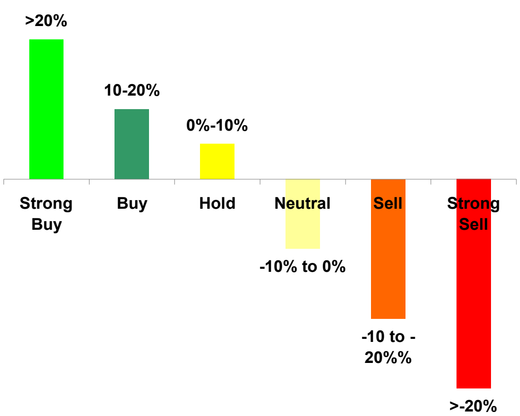
Rating Criteria and Definitions

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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