Result update

UNITED SECURITIES LLC.

INVESTMENT RESEARCH – Saudi Arabia

Catrion Catering Holding Co

HOLD

Sector : Support Services

31 May 2026

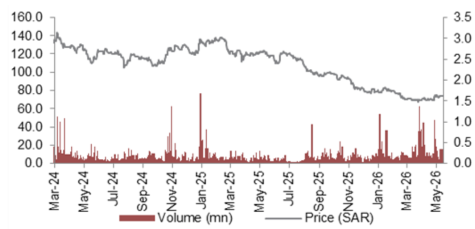
- **Revenue grew 12.7% YoY in 1Q26, beating our forecast by 8.6%.**
- **Gross margins declined YoY, while EBIT and EBITDA margins improved YoY on lower administrative expenses.**
- **Profit up 7.6% YoY, exceeding our projection by 8.3%.**
- **For 2026e, we raise our revenue forecast to SAR 2.64bn and profit to SAR 361mn. We revise our target price to SAR 77 per share and upgrade our rating to HOLD from NEUTRAL.**

Catrion reported 1Q26 revenue of SAR 664mn, up 12.7% YoY. Revenue came in 8.6% above our forecast, reflecting our previously conservative stance amid ongoing regional conflict, where we had anticipated a sharp reduction in capacity due to airspace closures and temporary operational disruptions. Growth was primarily driven by strong non-aviation revenue performance. Additionally, the consolidation of Al Khalejiah Catering company from the beginning of March 2026 contributed to the top line growth. The in-flight catering segment, accounting for 74% of total revenue, grew 5.3% YoY, supported by foreign and private airlines and business lounge services, partially offset by reduced retail operations. During the quarter, the company served 68k flights (+11.5% YoY), while meals served increased 4.8% YoY, and lounge passengers rose 5.6% YoY. The non-aviation segment increased by a strong 41% YoY mainly driven by Red Sea Global (RSG) and healthcare services.

Gross profit growth was contained to 9.7% YoY, as direct costs outpaced revenue growth, rising 13.9% YoY. Consequently, gross margin narrowed by 80bps YoY to 28.1%. Operating profit grew 18.7% YoY, mainly due to lower general and administrative expenses. As a result, the EBIT and EBITDA margin improved by 80bps and 290bps YoY to 15.5% and 23.1%, respectively. Finance costs doubled YoY due to higher borrowings and lease liabilities, while finance income declined 70% YoY owing to reduced cash balances. The company also benefited from lower tax expenses during the quarter. Overall, net profit reached SAR 80mn, up 7.6% YoY, while net margin contracted by 60bps YoY to 12.1% in 1Q26. Profit exceeded our forecast by 8.3%, with margins outperforming projections across the board.

Valuation and outlook: Through continuous diversification, Catrion has transformed into a more efficient organization while expanding into complementary business areas. During 1Q26, the Group completed the acquisition of a 55% stake in Al Khalejiah Catering Company, signed an agreement with King Faisal Specialist Hospital & Research Center valued at SAR 262mn, secured a contract with Saudia Air Transport company, and extended its contract with Flynas. These developments are expected to positively impact revenue starting from 2Q26 and continuing into 3Q26. Overall, results outperformed projections, given our conservative outlook amid the geopolitical tensions. Accordingly, we raise our 2026e revenue estimate to SAR 2.64bn (from SAR 2.56bn) and increase net profit to SAR 361mn (from SAR 316mn). We therefore revise our target price to SAR 77 per share, implying a 4.6% upside from current levels, and upgrade our rating to HOLD from NEUTRAL. The stock currently trades at 16.7x 2026e P/E.

Target price (SAR)	**77.00**
Current price (SAR)	**73.60**
Return	**4.60%**



Exchange	Saudi Arabia
Index weight (%)	0.2%

(mn)	SAR	USD
Market Cap	6,035	1,608
Enterprise value	6,414	1,710

Major shareholders	
Saudi Arabian Airlin	36%
ABDULMOHSEN ALHOKAIR	8.2%
Vanguard Group Inc/T	2.1%
Others	54.0%

Valuation Summary	
PER TTM (x)	18.9
P/Book (x)	3.9
EV/EBITDA (x)	10.5
Dividend Yield (%)	3.1
Free Float (%)	54%
Shares O/S (mn)	82
YTD Return (%)	-8%
Beta	1.0

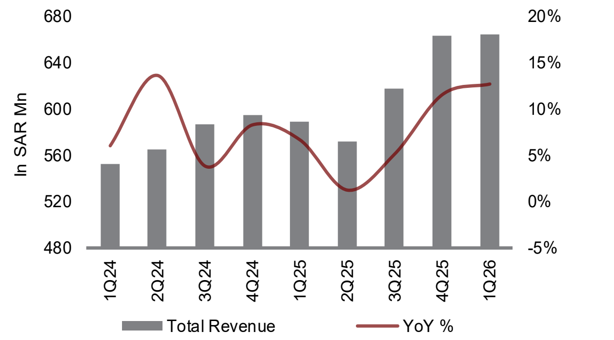
Key ratios	2023	2024	2025
EPS (SAR)	3.45	4.30	3.82
BVPS (SAR)	15.68	17.71	19.21
DPS (SAR)	2.10	2.30	2.30
Payout ratio (%)	61%	53%	60%

Price performance (%)	1M	3M	12M
Catrion Catering Holding	5%	-4%	-40%
Tadawul All Share Index	-1%	3%	0%

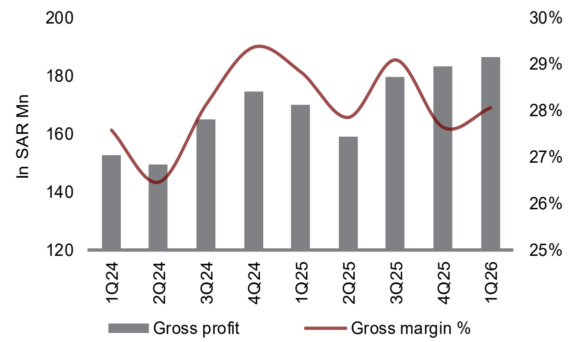
52 week	High	Low	CTL*
Price (SAR)	126.40	67.50	9.0

* CTL is % change in CMP to 52wk low

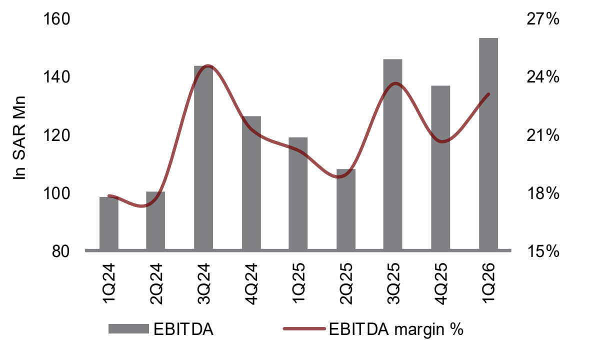
Revenue up 12.7% YoY driven by non-aviation segment



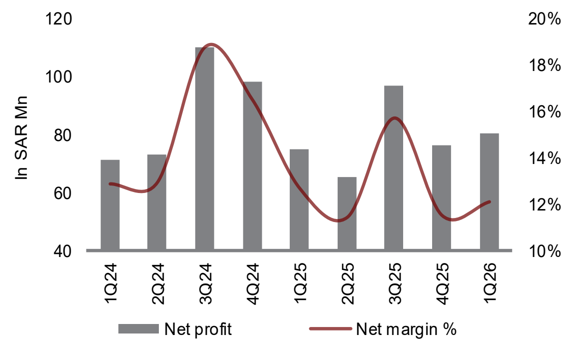
Gross margin pressured by higher direct costs



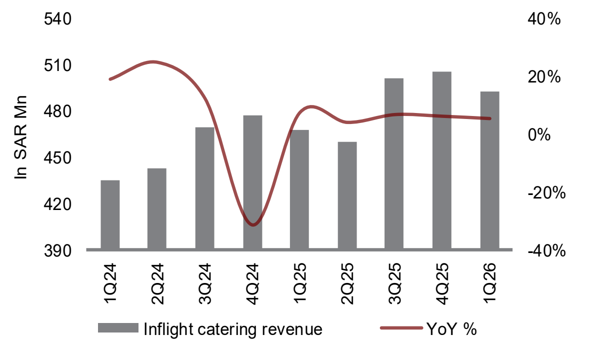
EBITDA margin improves on lower admin expenses



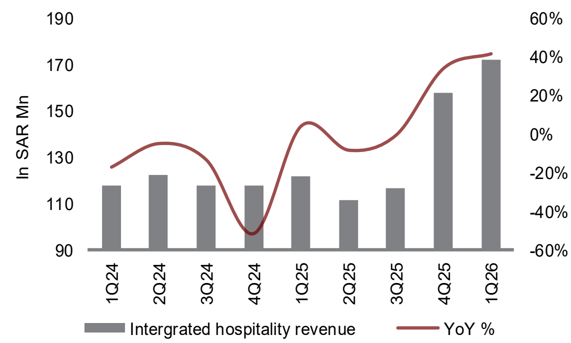
Net margin impacted by higher finance costs



In-flight catering grew a modest amid war tensions



Red Sea project lifts non-avaiation revenue



Income Statement (In SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	1,818	2,134	2,299	2,441	2,643	3,021	3,207	3,405
Direct Costs	-1,302	-1,568	-1,658	-1,749	-1,903	-2,168	-2,261	-2,400
Gross profit	**516**	**566**	**642**	**692**	**741**	**854**	**946**	**1,004**
Other income (Net)	27	29	19	45	29	35	45	50
General and administrative expenses	-232	-288	-298	-364	-320	-363	-401	-443
Other expenses	-27	-3	-2	-8	-8	-5	-5	-5
Operating Profit	**284**	**304**	**361**	**365**	**441**	**521**	**585**	**606**
EBITDA	**447**	**424**	**469**	**510**	**642**	**713**	**801**	**847**
Share of results from equity investments	18	15	11	-5	9	10	10	10
Finance income	1	17	24	15	14	15	15	15
Finance cost	-21	-20	-20	-44	-84	-52	-56	-60
Profit before Zakat (PBT)	**286**	**317**	**376**	**331**	**379**	**494**	**554**	**571**
Zakat and income tax	-29	-34	-23	-17	-18	-25	-28	-29
Net Profit	**257**	**283**	**353**	**314**	**361**	**469**	**526**	**542**

Balance Sheet (in SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Property, plant and equipment	341	415	805	1,263	1,405	1,585	1,768	1,954
Right of use assets	267	235	211	441	470	501	525	541
Investment property	31	29	27	25	25	25	25	25
Other non current assets	31	44	51	62	87	86	86	86
Non-current assets	**670**	**723**	**1,095**	**1,794**	**2,346**	**2,558**	**2,765**	**2,966**
Inventories	62	77	85	94	114	130	136	144
Trade and other receivables	799	601	721	1,061	1,242	1,420	1,507	1,600
Prepayments and other assets	68	86	156	104	132	151	160	170
Cash and cash equivalents	417	702	631	398	328	434	535	640
Current assets	**1,361**	**1,472**	**1,593**	**1,657**	**1,816**	**2,135**	**2,338**	**2,554**
ASSETS	**2,031**	**2,195**	**2,688**	**3,452**	**4,162**	**4,693**	**5,103**	**5,520**
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	683	935	1,179	1,406
EQUITY	**1,120**	**1,286**	**1,452**	**1,575**	**1,749**	**2,001**	**2,245**	**2,472**
Lease liabilities	175	150	165	393	81	95	108	121
Employees' end of service benefits	165	165	170	169	160	181	200	221
Long term bonus	8	12	4	8	10	10	10	10
Non-current liabilities	**349**	**327**	**497**	**951**	**726**	**760**	**793**	**826**
ST borrowing	-	-	4	23	43	43	43	43
Trade payable and other liabilities	409	462	663	823	1,142	1,301	1,356	1,440
Lease liabilities	132	94	52	65	459	537	611	683
Zakat liabilities	22	26	20	14	18	25	28	29
Current liabilities	**563**	**582**	**739**	**925**	**1,688**	**1,931**	**2,065**	**2,222**
LIABILITIES	**911**	**909**	**1,236**	**1,877**	**2,413**	**2,692**	**2,857**	**3,048**
EQUITY AND LIABILITIES	**2,031**	**2,195**	**2,688**	**3,452**	**4,162**	**4,693**	**5,103**	**5,520**

Cash Flow (In SAR mn)	2022	2023	2024	2025e	2026e	2027e	2028e	2029e
Cash from operations	346	608	462	320	725	614	708	770
Investing cash flow	-15	-123	-442	-547	-264	-302	-321	-340
Financing cash flow	-90	-200	-91	-6	-530	-206	-287	-324
Change in cash	241	285	-71	-233	-70	106	100	106
Beginning cash	176	417	702	631	398	328	434	535
Ending cash	**417**	**702**	**631**	**398**	**328**	**434**	**535**	**640**

Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	3.14	3.45	4.30	3.82	4.41	5.72	6.41	6.61
BVPS (SAR)	13.66	15.68	17.71	19.21	21.32	24.40	27.38	30.15
DPS (SAR)	0.50	2.10	2.30	2.30	2.64	3.43	3.85	3.97
FCF per share (SAR)	4.04	5.92	0.24	-2.76	5.62	3.80	4.72	5.24
Valuation								
Market Cap (SAR mn)	6,150	10,578	10,004	6,589	6,035	6,035	6,035	6,035
EV (SAR mn)	6,040	10,120	9,752	7,052	6,691	6,676	6,662	6,643
EBITDA	447	424	469	510	642	713	801	847
P/E (x)	23.9	37.4	28.4	21.0	16.7	12.9	11.5	11.1
EV/EBITDA (x)	13.5	23.9	20.8	13.8	10.4	9.4	8.3	7.8
Price/Book (x)	5.5	8.2	6.9	4.2	3.5	3.0	2.7	2.4
Dividend Yield (%)	0.7%	1.6%	1.9%	2.9%	3.6%	4.7%	5.2%	5.4%
Price to sales (x)	3.4	5.0	4.4	2.7	2.3	2.0	1.9	1.8
EV to sales (x)	3.3	4.7	4.2	2.9	2.5	2.2	2.1	2.0
Liqiudity								
Cash Ratio (x)	0.7	1.2	0.9	0.4	0.2	0.2	0.3	0.3
Current Ratio (x)	2.4	2.5	2.2	1.8	1.1	1.1	1.1	1.1
Quick Ratio (x)	2.3	2.5	2.2	1.8	1.1	1.1	1.1	1.1
Returns Ratio								
ROA (%)	12.7%	12.9%	13.1%	9.1%	8.7%	10.0%	10.3%	9.8%
ROE (%)	23.0%	22.0%	24.3%	19.9%	20.7%	23.4%	23.4%	21.9%
ROCE (%)	17.5%	17.5%	18.1%	12.4%	14.6%	17.0%	17.3%	16.4%
Cash Cycle								
Inventory turnover (x)	21.1	20.3	19.6	18.7	16.7	16.7	16.7	16.7
Accounts Payable turnover (x)	3.2	3.4	2.5	2.1	1.7	1.7	1.7	1.7
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	22	22	22	22
Payable Days	115	108	146	172	219	219	219	219
Receivables days	161	103	115	159	172	172	172	172
Cash Cycle	63	14	-12	7	-26	-26	-26	-26
Profitability Ratio								
EBITDA Margins (%)	24.6%	19.9%	20.4%	20.9%	24.3%	23.6%	25.0%	24.9%
EBIT Margins (%)	15.6%	14.3%	15.7%	14.9%	16.7%	17.2%	18.2%	17.8%
PBT Margins (%)	15.7%	14.8%	16.3%	13.5%	14.3%	16.3%	17.3%	16.8%
Net Margins (%)	14.1%	13.2%	15.3%	12.8%	13.7%	15.5%	16.4%	15.9%
Effective Tax Rate (%)	10.0%	10.7%	6.1%	5.2%	4.7%	5.0%	5.0%	5.0%
Leverage								
Total Debt (SAR mn)	307	245	379	862	983	1,075	1,162	1,247
Net Debt (SAR mn)	-110	-458	-252	464	656	641	627	607

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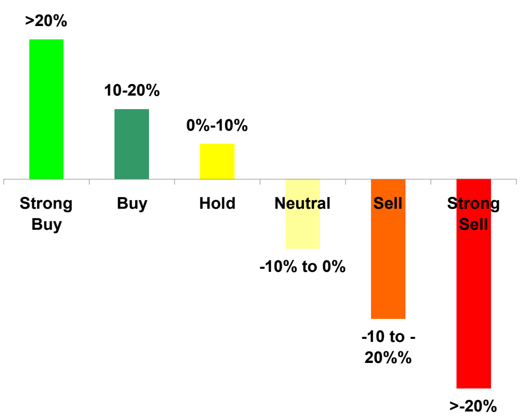
Rating Criteria and Definitions

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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