BinDawood Holding Co.

Investment Update

Grocery retail under competitive pressure, while positives of recent Pharma acquisition to become more visible in the bottom-line after two years; we revise down TP

BinDawood Holding (BDH) posted net income of SAR 40.0mn in Q3-25, up 26.4% Y/Y on account of recent acquisitions and better supplier income. Earnings were in line with AJC research estimate and market consensus of SAR 41.5mn and SAR 37.2mn, respectively. Revenue grew by 12.3% Y/Y to SAR 1,529.4mn in Q3-25 (+2.6% deviation to AJC estimate of SAR 1,490mn), driven by new grocery store openings, recovery in Haramain stores and full consolidation of pharma business from Feb-25. We forecast double-digit sales growth in 2025 due to Zahrat al Rawdah and JTC acquisition; thereafter we expect mid-single-digit growth. Segment wise pharma retail would lead in terms of sales growth over the medium term due to integration into BDH's existing stores. Whereas grocery retail segment would continue to be pressured by growing competition from brick & mortar and online stores. GP margins expansion from merger of high margin pharma & distribution business, did not seep into bottom-line in 9M25 due to higher OPEX & fin costs. However, acquisition related debt is scheduled to be paid back by 2027, thereafter positives of these acquisitions would become more visible in the bottom-line. Overall, we expect revenues to grow by 10.0% Y/Y in 2025 and at 6.0% CAGR over 2025-30, whereas net profit is expected to decline by 14% Y/Y in 2025 (2025-30 CAGR 12.1%). Trading at 2026e PE of 22.1x we maintain our "Neutral" recommendation on Bindawood with a revised TP of SAR 5.2/share.

BinDawood Holding (BDH) posted net income of SAR 40.0mn in Q3-25 up 26.4% Y/Y on account of recent acquisitions and better supplier income: BDH posted net income of SAR 40.0mn in Q3-25, up 26.4% Y/Y (down 18.8% sequentially), driven by high margin segments and more supplier support. Earnings were in line with AJC estimate and market consensus of SAR 41.5mn and SAR 37.2mn, respectively. Revenue grew by 12.3% Y/Y to SAR 1,529.4mn (+2.6% deviation to AJC estimate of SAR 1,490mn), driven by new grocery store openings, recovery in Haramain stores and full consolidation of pharma business from Feb-25. Gross margin expanded by 103bps Y/Y to 34.0% (+53bps deviation to AJC estimate of 33.5%) due to mergers of high margin pharma and distribution business, this resulted in a 15.8% Y/Y improvement in gross profit to SAR 520mn. Operating profit increased by 33.5% Y/Y to SAR 75.6mn (+12.4% deviation to AJC estimate of SAR 67.3mn), while operating margins improved by 78bps Y/Y to 4.9% (+43bps deviation to AJC estimate of 4.5%). At net level margins remained unchanged Y/Y at 2.6%, due to lower other income, lesser finance income, and higher finance costs (due to increased borrowings).

Double-digit sales growth in 2025 due to Zahrat & JTC acquisition; thereafter integration into BDH stores to drive 12.5% revenue CAGR in Pharma business; grocery business to be pressured by competition: Acquisition of Zahrat-al-Rawdah (Feb-25) and Jumeirah Trading Company (acquired in Q3-24, full impact to be visible in 2025) are expected to add over half a billion SAR to BinDawood holding's (BDH) topline in 2025 and boost revenue growth to 10.0%, as compared to a minuscule growth of 1.3% Y/Y in 2024. From 2025 onwards, we forecast BDH's topline to grow at a CAGR of 6.0% (2025-30) against 2019-24 CAGR of 3.2%. Segment wise pharma retail is expected to lead in terms of sales growth over the medium term, followed by distribution, FTR and grocery retail. Overall, we expect share of grocery retail in total sales to decrease to 79.8% in 2030 from 82.7% in 2025. Zahrat's topline is projected to increase at a 12.5% CAGR (2025-30), driven by store expansions and integration of pharma segment into 70 existing BDH stores, which would result in a more than 50% increase in Zahrat's geographical footprint over the next five years (14 stores have already been integrated YTD and 15 stores are planned to be rolled out by the end of 2025). We foresee distribution business to expand at a 7.8% CAGR over 2025-30 driven by ramping up of recently acquired brands (Delsey, Kipling, Top toys etc.) and new brand acquisitions. FTR is likely to deliver a 7.2% revenue CAGR over 2025-30 owing to Ykone's expansion in USA, China, Europe & Asia, and IACO's soft launch of Mega Dark stores to enhance fulfilment. We estimate grocery retail sales (Danube and Bindawood) to grow at a 2025-30e CAGR of 5.3%, driven by four annual store openings which will expand retail space from ~419,000 sqms in Q3-25 to ~483,000 sqms in 2030. We highlight that growth in per-store revenue is likely to remain subdued given the intense competition (from brick & mortar and online stores) and due to addition of smaller stores (~3,000 sqm vs current average of ~4,100 sqm). We expect net income to decline by 14.0% Y/Y to SAR 241mn in 2025, then recover by 6.9/17.8% Y/Y in 2026/27 to SAR 258/303mn (2025-30 CAGR 12.1%).

Recommendation	**Neutral**
Target Price (SAR)	**5.2**
Upside / (Downside)*	**4.5%**

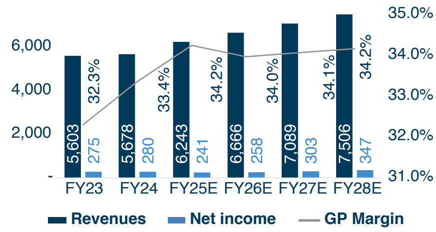
Source: Tadawul *prices as of 26th of Nov 2025

Key Financials

in SAR mn, (unless specified)	FY24	FY25E	FY26E	FY27E
Revenues	5,678	6,243	6,666	7,089
Growth %	1.3%	10.0%	6.8%	6.3%
Gross Profit	1,894	2,138	2,264	2,415
Growth %	4.6%	12.9%	5.9%	6.7%
Oper. profit	369	365	387	425
Growth %	4.2%	-1.1%	5.9%	10.0%
Net Income	280	241	258	303
Growth %	1.9%	-14.0%	6.9%	17.8%
EPS	0.25	0.21	0.23	0.27
DPS	0.20	0.08	0.09	0.11

Source: Company reports, Aljazira Capital Research

Fig 1: Revenue, GP margin and income trend (SAR mn)



Source: Company, AlJazira Capital research, *base case

Key Ratios

	FY24	FY25E	FY26E	FY27E
Gross Margin	33.4%	34.2%	34.0%	34.1%
Oper Margin	6.5%	5.8%	5.8%	6.0%
Net Margin	4.9%	3.9%	3.9%	4.3%
ROE	20.0%	16.4%	15.9%	17.0%
ROA	5.5%	4.4%	4.4%	5.1%
P/E (x)	26.0	23.7	22.1	18.8
P/B (x)	5.2	3.7	3.4	3.0
EV/EBITDA (x)	11.0	8.9	8.7	8.3
Dividend Yield	3.1%	1.7%	1.8%	2.2%

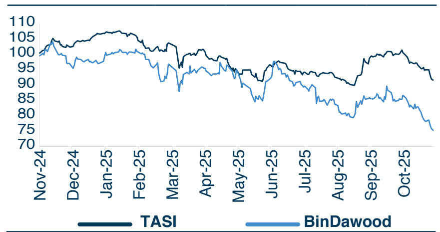
Source: Company, AlJazira Capital Research

Key Market Data

Market Cap (SAR bn)	5.7
YTD%	-22.9%
52 weeks (High)/(Low)	7.04/4.95
Share Outstanding (mn)	1,143.0

Source: Company, AlJazira Capital Research

Price Performance



Source: Tadawul, AlJazira Capital research

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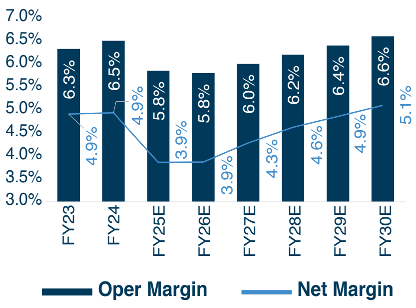
GP margins expansion from merger of high margin pharma & distribution business, did not seep into bottom-line due to higher OPEX & fin costs; more visibility in two years as acquisition loan is paid off: BDH's gross margin expanded by 136bps Y/Y in 9M25 to 33.8% due to the consolidation of higher margin pharma and distribution business. However, the improvement was not visible at operating margin (down 37bps Y/Y) and net margin level (down 67bps Y/Y) due to the 172bps Y/Y increase in OPEX-to-sales and 32bps Y/Y increase in finance expense-to-sales. The increase in OPEX-to-sales is due to Zahrat's higher operating expense ratio, moreover the growth in finance expense is owed to the SAR 300mn Murabaha loans that BDH took for acquisitions. Note that the loans are scheduled to be paid back by 2027, thereafter we expect better visibility of these acquisitions in the bottom line. Overall, operating and net margins are expected to decline by 65bps Y/Y and 108bps Y/Y in 2025 to 5.8% and 3.9%, respectively. Margins are projected to remain largely unchanged in 2026, however, due to improving operational efficiencies and repayment of acquisition related loans they are expected to improve by 20bps Y/Y and 41bps Y/Y to 6.0% and 4.3% in 2027, respectively.

We expect dividend payout ratio to be maintained around 40% till 2027: Bindawood reduced its 1H25 dividend pay out to 39.3% (SAR 45.6mn) as compared to 84.3% (SAR 114.2mn) in same period last year. The company diverted a portion of cash surplus towards debt repayment. Note that the company has SAR 350mn outstanding debt (taken up to fund recent acquisitions) that it intends to repay in the next two years. In this backdrop, we expect payout to remain restricted to around ~40% till 2027, which implies 2025/26/27e DPS of 0.08/0.09/0.11 and DY of 1.7/1.8/2.2%, respectively. We see payout ratio scaling up slowly to 64% by 2030.

AJC View and Valuation: BDH has delivered double-digit earnings growth in Q3-25, driven by recent acquisitions and supplier support. The company has broadened its retail footprint into the pharma sector, through acquisition of Zahrat al Rawdah pharmacies and in distribution through JTC. The company has also entered into franchise agreement with 'The Regional Group Company' a well-known brand in Qatar to open eight BinDawood stores in Qatar. Moreover, BDH is planning to venture into food manufacturing. Overall, we expect revenues to grow by 10.0% Y/Y in 2025 and at 6.0% CAGR over 2025-30, whereas net profit is expected to decline by 14% Y/Y in 2025 (2025-30 CAGR 12.1%). We expect payout to remain restricted to around ~40% till 2027, which implies 2025/26/27e DY of 1.7/1.8/2.2%, respectively. Note that earnings impact of recent takeovers would be more visible after two years as BDH repays loans.

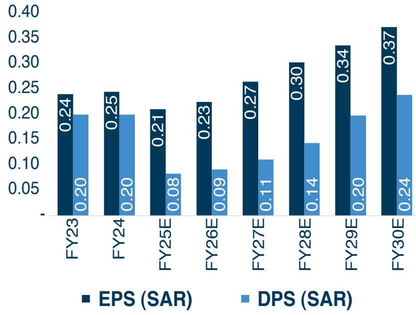
We value the company using 50% weightage to DCF (WACC = 9.9% and terminal growth = 2.5%) and 50% weightage to P/E multiple of 22.0x for FY26e EPS, to arrive at a blended TP of **SAR 5.2 per share**, implying an upside of **4.5%**. Thus, we maintain our "**Neutral**" recommendation on the company.

Fig 2: Operating and net margin trend



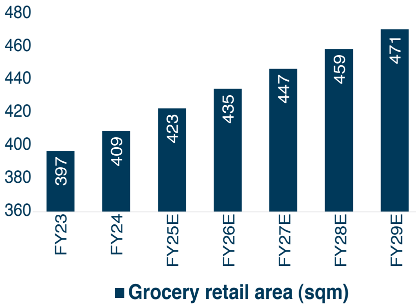
Source: Company, AlJazira Capital Research

Fig 3: EPS and DPS trend



Source: Company, AlJazira Capital Research

Fig 4: Grocery retail area (000 sqm)



Source: Company, AlJazira Capital Research

Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	SAR 5.5	50%	2.7
P/E	SAR 5.0	50%	2.5
Blended TP			**5.2**
Upside/(Downside) potential			**4.5%**

Source: AlJazira Capital Research

Key Financial Data

Amount in SARmn, unless otherwise specified	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement								
Revenues	5,603	5,678	6,243	6,666	7,089	7,506	7,932	8,374
Y/Y	**14.4%**	**1.3%**	**10.0%**	**6.8%**	**6.3%**	**5.9%**	**5.7%**	**5.6%**
Cost of Sales	(3,793)	(3,784)	(4,105)	(4,402)	(4,674)	(4,942)	(5,214)	(5,496)
Gross profit	**1,810**	**1,894**	**2,138**	**2,264**	**2,415**	**2,564**	**2,718**	**2,878**
GM (%)	32.3%	33.4%	34.2%	34.0%	34.1%	34.2%	34.3%	34.4%
Other operating income	9	6	7	8	9	9	10	10
Selling & distribution exp	(1,199)	(1,204)	(1,410)	(1,495)	(1,586)	(1,676)	(1,767)	(1,861)
General & administrative exp	(266)	(327)	(369)	(391)	(412)	(433)	(453)	(474)
Operating profit	**354**	**369**	**365**	**387**	**425**	**465**	**508**	**553**
Y/Y	**134.6%**	**4.2%**	**-1.1%**	**5.9%**	**10.0%**	**9.4%**	**9.1%**	**8.9%**
OPM (%)	6.3%	6.5%	5.8%	5.8%	6.0%	6.2%	6.4%	6.6%
Other income/(expenses)	28	23	17	6	7	9	11	12
Financial charges	(89)	(93)	(120)	(118)	(109)	(106)	(108)	(111)
Profit before zakat	**293**	**299**	**263**	**274**	**323**	**369**	**410**	**454**
Zakat	(18)	(19)	(22)	(16)	(19)	(22)	(25)	(27)
Net income	**275**	**280**	**241**	**258**	**303**	**347**	**386**	**427**
Y/Y	**120.5%**	**1.9%**	**-14.0%**	**6.9%**	**17.8%**	**14.3%**	**11.2%**	**10.7%**
NM (%)	4.9%	4.9%	3.9%	3.9%	4.3%	4.6%	4.9%	5.1%
EPS (SAR)	**0.24**	**0.25**	**0.21**	**0.23**	**0.27**	**0.30**	**0.34**	**0.37**
DPS (SAR)	**0.20**	**0.20**	**0.08**	**0.09**	**0.11**	**0.14**	**0.20**	**0.24**
Balance sheet								
Assets								
Cash & bank balance	521	429	302	221	167	237	270	304
Trade receivables, net	474	166	291	310	330	350	369	390
Other current assets	1,062	1,365	1,415	1,456	1,482	1,539	1,623	1,710
Property & Equipment	773	829	875	923	976	1,033	1,095	1,163
Other non-current assets	2,156	2,476	2,892	2,977	3,041	3,102	3,165	3,212
Total Assets	**4,986**	**5,264**	**5,775**	**5,887**	**5,995**	**6,260**	**6,522**	**6,779**
Liabilities & owners' equity								
Total current liabilities	1,519	1,599	1,481	1,559	1,619	1,672	1,725	1,776
Short term loans	-	-	170	85	-	-	-	-
Total non-current liabilities	2,008	2,191	2,320	2,378	2,428	2,478	2,528	2,580
Long term loans	-	-	185	93	-	-	-	-
Paid -up capital	1,143	1,143	1,143	1,143	1,143	1,143	1,143	1,143
Statutory reserves	-	(8)	16	42	72	107	145	188
Retained earnings	266	302	424	551	697	824	944	1,055
Other	51	37	37	37	37	37	37	37
Total owners' equity	1,459	1,474	1,619	1,772	1,949	2,110	2,269	2,423
Total equity & liabilities	**4,986**	**5,264**	**5,775**	**5,887**	**5,995**	**6,260**	**6,522**	**6,779**
Cashflow statement								
Operating activities	776	948	457	790	863	889	912	957
Investing activities	(249)	(525)	(972)	(664)	(670)	(690)	(710)	(708)
Financing activities	(521)	(509)	388	(207)	(247)	(129)	(169)	(215)
Change in cash	6	(85)	(127)	(81)	(54)	69	33	34
Ending cash balance	**521**	**429**	**302**	**221**	**167**	**237**	**270**	**304**
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	1.4	1.2	1.2	1.2	1.2	1.3	1.3	1.4
Quick ratio (x)	0.7	0.5	0.5	0.4	0.4	0.5	0.5	0.5
Profitability ratios								
GP Margin	32.3%	33.4%	34.2%	34.0%	34.1%	34.2%	34.3%	34.4%
Operating Margins	6.3%	6.5%	5.8%	5.8%	6.0%	6.2%	6.4%	6.6%
EBITDA Margin	14.3%	14.6%	14.0%	13.8%	13.8%	13.8%	13.8%	13.7%
Net Margins	4.9%	4.9%	3.9%	3.9%	4.3%	4.6%	4.9%	5.1%
Return on assets	5.6%	5.5%	4.4%	4.4%	5.1%	5.7%	6.0%	6.4%
Return on equity	20.0%	20.0%	16.4%	15.9%	17.0%	17.7%	18.2%	18.8%
Market/valuation ratios								
EV/sales (x)	1.6	1.6	1.3	1.2	1.1	1.1	1.0	1.0
EV/EBITDA (x)	10.9	11.0	8.9	8.7	8.3	7.8	7.4	7.1
EPS (SAR)	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4
BVPS (SAR)	1.2	1.2	1.4	1.5	1.6	1.8	1.9	2.1
Market price (SAR)*	6.2	6.4	5.0	5.0	5.0	5.0	5.0	5.0
Market-Cap (SAR mn)	7,075	7,281	5,704	5,704	5,704	5,704	5,704	5,704
Dividend yield	3.2%	3.1%	1.7%	1.8%	2.2%	2.9%	4.0%	4.8%
P/E ratio (x)	25.7	26.0	23.7	22.1	18.8	16.4	14.8	13.4
P/BV ratio (x)	5.1	5.2	3.7	3.4	3.0	2.8	2.6	2.4

Source: Company, AlJazira Capital research, price as of 26th Nov 2025

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RESEARCH DIVISION

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RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer