

Result update

Al Dawaa Medical Services Company

Sector : Pharma Retail

18 November 2025

HOLD

- Revenue grew 4.2% YoY in 3Q25, in line with estimates. The retail segment continues to face pressure from intense competition, resulting in low single-digit growth.
- Gross margin stable, while opex increased due to spending on new strategic initiatives, weighing on profitability. The company reported its lowest net profit in eleven quarters, declining 8% YoY.
- We retain our 2025e revenue estimate but reduce our profit forecast due to margin pressure. Our target price is revised to SAR 62.20 per share, and we maintain a HOLD rating.

Target price (SAR) 62.20

Current price (SAR) 61.45

Return 1.20%



Exchange Saudi Arabia
Index weight (%) 0.14%

(mn)	SAR	USD
Market Cap	5,223	1,393
Enterprise value	8,494	2,293

Major shareholders

RESOURCES HOLDING CO	35.0%
RAMLA HOLDING GROUP	20.0%
Fahd Al Saud Turki M	13.8%
Others	31.2%

Valuation Summary

PER TTM (x)	14.3
P/Book (x)	3.4
EV/EBITDA (x)	9.5
Dividend Yield (%)	4.1
Free Float (%)	31%
Shares O/S (mn)	85
YTD Return (%)	-22%
Beta	0.9

Key ratios	2022	2023	2024
EPS (SAR)	3.59	3.87	4.35
BVPS (SAR)	12.88	15.45	17.13
DPS (SAR)	0.00	2.50	2.50
Payout ratio (%)	0%	65%	57%

Price performance (%)	1M	3M	12M
Al-Dawaa Medical Services	-9%	-9%	-26%
Tadawul All Share Index	-6%	1%	-6%

52 week	High	Low	CTL*
Price (SAR)	87.30	61.10	0.6

* CTL is % change in CMP to 52w k low

Al Dawaa Medical Services Company (Dawaa) posted 4.2% YoY revenue growth in 3Q25, aligned with expectations. The retail segment continues to face intense competition from local, international, and online players, resulting in muted growth (+1.8% YoY) in the quarter. Dawaa's net store opening for the 9M25 period stood at 32 and the total number of stores were 956 at the end of the quarter. In-house brands contributed to 14% of the total sales this year, while online stood at 16.8%. The wholesale segment, grew 45% YoY during the quarter; attributed by the higher contribution from distribution (which included recent agreements with top brands) and logistics segment (specialized logistics services to NUPCO). However, wholesale contribution which represents only 6.4% of total sales, limited the impact on the overall topline. Similar topline pressure across peers indicates an overcrowded market and thinning margins in the pharmacy retail sector.

Gross margin was slightly higher by 26bps YoY, leading to 5% YoY growth in gross profit. Dawaa remains in expansion mode, aiming to protect and grow its market share. This includes continued investments in new physical stores, online platform enhancements, product assortment changes, loyalty programs, and other strategic initiatives all contributing to higher expenses during the quarter. Operating expenses increased due to hiring additional employees and elevated sales and marketing spending. As a result, operating profit declined 5.1% YoY, while EBITDA remained broadly flat. Finance costs also edged higher. Net profit came in at SAR 69mn (-8% YoY), below our estimate, largely because of margin compression. For 9M25, net profit stood at SAR 261mn (-2.1% YoY).

Valuation: Dawaa continues to face intense competitive pressure, similar to sector peers. The company is implementing multiple strategies to defend market share and support revenue growth. We expect single-digit topline growth to persist in the near term until associate segments begin contributing meaningfully. Margin pressure is also likely to continue due to elevated expansion related spending. As the current topline performance came in line with expectations and given that we had already moderated our revenue targets, we retain our 2025e revenue estimate at SAR 6.85bn. However, we revise down our net profit estimate to SAR 352mn to reflect the lower margin outlook. Based on these adjustments, our target price stands at SAR 62.20 per share, implying limited upside from current levels. Accordingly, we provide a HOLD rating.



Income Statement (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	5,034	5,372	5,741	6,451	6,853	7,267	7,659	8,074
Direct Costs	-3,140	-3,353	-3,635	-4,158	-4,430	-4,714	-4,971	-5,243
Gross profit	1,894	2,020	2,107	2,293	2,422	2,553	2,688	2,830
Selling and distribution expenses	-1,510	-1,518	-1,500	-1,642	-1,790	-1,889	-1,991	-2,059
General and administrative expenses	-118	-133	-127	-135	-142	-145	-153	-161
Operating profit	266	369	466	514	489	518	543	610
EBITDA	600	724	830	906	896	929	975	1,063
Finance costs	-83	-117	-124	-122	-124	-119	-111	-111
Other costs	63	66	-	-	-	-	-	-
Profit before tax	246	318	342	392	363	399	432	499
Income tax and Zakat	-7	-12	-13	-22	-12	-16	-17	-20
Net profit	239	305	329	370	352	383	415	479

Balance Sheet (in SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property, plant and equipment	823	942	995	1,059	1,004	1,074	1,139	1,198
Right of use assets	1,046	1,586	1,476	1,448	1,571	1,587	1,603	1,619
Other non current assets	286	182	230	85	76	76	76	76
Non-current assets	2,155	2,710	2,701	2,592	2,669	2,755	2,835	2,910
Inventories	1,332	1,082	1,310	1,477	1,595	1,650	1,690	1,888
Accounts receivable and prepayments	496	564	447	748	891	945	996	1,050
Bank balances and cash	46	139	54	48	51	51	52	48
Other current assets	1	2	3	3	2	2	2	2
Current assets	1,875	1,786	2,007	2,444	2,704	2,748	2,840	3,087
ASSETS	4,031	4,497	4,707	5,036	5,373	5,502	5,675	5,997
Share capital	850	850	850	850	850	850	850	850
Reserves	68	-4	84	-3	-8	-8	-8	-8
Retained earnings	71	249	379	609	748	921	1,106	1,336
EQUITY	989	1,095	1,313	1,456	1,590	1,763	1,948	2,178
Lease liabilities	812	1,374	1,308	1,278	1,281	1,281	1,281	1,281
Employee defined benefits	125	132	140	167	177	189	199	210
Term loans	-	277	150	-	150	100	150	150
Non-current liabilities	938	1,783	1,598	1,445	1,608	1,569	1,629	1,640
Accounts payable and accruals	532	534	822	1,205	1,329	1,414	1,491	1,573
Lease liability	227	203	184	201	191	191	191	191
Bank overdrafts Short term loans	1,156	778	662	620	520	470	320	320
Other current liability	189	103	128	107	134	95	95	95
Current liabilities	2,104	1,618	1,796	2,134	2,175	2,171	2,098	2,179
LIABILITIES	3,042	3,401	3,394	3,579	3,783	3,740	3,727	3,820
EQUITY AND LIABILITIES	4,031	4,497	4,707	5,036	5,373	5,502	5,675	5,997

Cash Flow (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	670	778	726	683	818	799	862	793
Investing cash flow	-378	-283	-168	-98	-137	-330	-272	-264
Financing cash flow	-298	-347	-642	-592	-678	-469	-589	-533
Change in cash	8	93	-85	-7	3	1	1	-4
Beginning cash	38	46	139	54	48	51	51	52
Ending cash	46	139	54	47	51	51	52	48



Ratio Analysis	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share								
EPS (SAR)	2.81	3.59	3.87	4.35	4.14	4.51	4.88	5.63
BVPS (SAR)	11.64	12.88	15.45	17.13	18.71	20.74	22.91	25.62
DPS (SAR)	1.25	-	2.50	2.50	2.48	2.71	2.93	3.38
FCF per share (SAR)	3.43	5.83	6.56	6.89	8.01	5.52	6.94	6.23
Valuation								
Market Cap (SAR mn)	6,205	6,112	8,993	6,664	5,223	5,223	5,223	5,223
EV (SAR mn)	8,886	8,862	11,914	9,921	8,494	8,529	8,455	8,541
EBITDA	600	724	830	906	896	929	975	1,063
P/E (x)	25.9	20.0	27.3	18.0	14.9	13.6	12.6	10.9
EV/EBITDA (x)	14.8	12.2	14.3	10.9	9.5	9.2	8.7	8.0
Price/Book (x)	7.3	6.6	5.5	5.0	4.5	4.1	3.7	3.3
Dividend Yield (%)	1.7%	0.0%	2.4%	3.2%	4.0%	4.4%	4.8%	5.5%
Price to sales (x)	1.2	1.1	1.6	1.0	0.8	0.7	0.7	0.6
EV to sales (x)	1.8	1.6	2.1	1.5	1.2	1.2	1.1	1.1
Liquidity								
Cash Ratio (x)	0.02	0.09	0.03	0.02	0.02	0.02	0.02	0.02
Current Ratio (x)	0.89	1.10	1.12	1.15	1.24	1.27	1.35	1.42
Quick Ratio (x)	0.26	0.44	0.39	0.45	0.51	0.51	0.55	0.55
Returns Ratio								
ROA (%)	5.9%	6.8%	7.0%	7.3%	6.5%	7.0%	7.3%	8.0%
ROE (%)	24.2%	27.9%	25.1%	25.4%	22.1%	21.7%	21.3%	22.0%
ROCE (%)	12.4%	10.6%	11.3%	12.8%	11.0%	11.5%	11.6%	12.5%
Cash Cycle								
Inventory turnover (x)	2.4	3.1	2.8	2.8	2.8	2.9	2.9	2.8
Accounts Payable turnover (x)	5.9	6.3	4.4	3.5	3.3	3.3	3.3	3.3
Receivables turnover (x)	10.1	9.5	12.8	8.6	7.7	7.7	7.7	7.7
Inventory days	155	118	132	130	131	128	124	131
Payable Days	62	58	82	106	110	110	110	110
Receivables days	36	38	28	42	47	47	47	47
Cash Cycle	129	98	77	66	69	66	62	69
Profitability Ratio								
Net Margins (%)	4.8%	5.7%	5.7%	5.7%	5.1%	5.3%	5.4%	5.9%
EBITDA Margins (%)	11.9%	13.5%	14.5%	14.0%	13.1%	12.8%	12.7%	13.2%
PBT Margins (%)	4.9%	5.9%	6.0%	6.1%	5.3%	5.5%	5.6%	6.2%
EBIT Margins (%)	5.3%	6.9%	8.1%	8.0%	7.1%	7.1%	7.1%	7.6%
Effective Tax Rate (%)	4.9%	5.9%	6.0%	6.1%	5.3%	5.5%	5.6%	6.2%
Leverage								
Total Debt (SAR mn)	2,727	2,889	2,975	3,305	3,321	3,357	3,284	3,365
Net Debt (SAR mn)	2,681	2,750	2,921	3,257	3,271	3,305	3,232	3,318
Debt/Total Assets (x)	0.7	0.6	0.6	0.7	0.6	0.6	0.6	0.6
Debt/Equity (x)	2.8	2.6	2.3	2.3	2.1	1.9	1.7	1.5
Net Debt/Equity (x)	2.7	2.5	2.2	2.2	2.1	1.9	1.7	1.5

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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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