

## Logistics

**HOLD: 12M TP @ 173**

*Upside +2.5%*

### Valuation Summary (TTM)

Price (SAR)	168.70
PER TTM (x)	22.0
P/Book (x)	9.0
P/Sales (x)	8.7
EV/Sales (x)	9.6
EV/EBITDA (x)	18.0
Dividend Yield (%)	3.4
Free Float (%)	29%
Shares O/S (mn)	80
YTD Return (%)	-33%
Beta	1.4

(mn)	SAR	USD
Market Cap	13,496	3,596
Enterprise value	13,408	3,620

Price performance (%)	1M	3M	12M
Saudi Logistics	-4%	-7%	-44%
Tadawul All Share Index	-1%	-5%	-10%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR, 000)	15,846	26,142	47,493
Avg Daily Volume (,000)	91	148	248

52 week	High	Low	CTL*
Price (SAR)	306.20	156.00	8.1

\* CTL is % change in CMP to 52wk low

### Major shareholders

Saudi Arabian Airlin	49.0%
TARABOT AIR CARGO SE	21.0%
Vanguard Group Inc/T	1.3%
Others	28.8%

### Other details

Exchange	Saudi Arabia
Sector	Logistics
Index weight (%)	0.3%

Key ratios	2022	2023	2024
EPS (SAR)	4.53	6.37	8.27
BVPS (SAR)	13.41	15.43	17.53
DPS (SAR)	3.19	4.40	5.99
Payout ratio (%)	70%	69%	72%



## SAL – volumes decline on high base effect

SAL reported 2Q25 revenue of SAR 394mn, down 2.8% YoY but above our estimate of SAR 368mn. Net profit came in at SAR 162mn, up 4.4% YoY and also ahead of our forecast of SAR 150mn. We had turned slightly more cautious after the 1Q25 results due to moderation in segment volumes. For 1H25, the company reported revenue of SAR 778mn (-9.3% YoY) and net profit of SAR 315mn (-13.2% YoY). The softer performance was largely due to the exceptionally high base of last year, which was driven by unusual circumstances. Air cargo, which contributes 86% of total revenue, grew a modest 1.6% YoY in 2Q25, while the logistics segment declined 23.2% YoY. Management attributed the current performance to the 7% volume drop during the quarter which was caused due to regional disruptions, lower import and transit activity, delayed client ramp-ups, timing differences in projects, and seasonality effects. The company continues to pursue its long-term strategy of building logistics capabilities, with investments of up to SAR 4bn. A major initiative, the SAL Logistics Zone (Falcon City), is expected to commence operations in 2028, potentially providing significant incremental revenue. However, as further details remain limited, we have not factored this into our valuation. Capex also includes investments in warehouses across Riyadh, Dammam, and Medina. During the quarter, management renewed contracts with Azerbaijan Airways and Philippine Airlines.

Gross margins improved by 200bps YoY in 2Q25, driven by a more profitable service mix and prudent cost controls. Operating expenses were broadly in line with expectations, with a slight increase in administrative costs. Operating and EBITDA margins rose by 243bps and 136bps YoY, respectively, boosting operating profit by 2.9% YoY. The company also benefited from an impairment reversal of SAR 13mn in the logistics segment (vs. a SAR 18mn impairment provision in 1Q25), which lifted operating profit above our forecast by 5.9%. Finance income was slightly higher than expected, while finance costs remained stable. Overall, net profit for 2Q25 was SAR 162mn, up 4.4% YoY. For 1H25, net profit totaled SAR 315mn (-13.2% YoY). Management guided for single-digit volume growth in handling, while logistics is expected to remain under pressure in 2H25. The guidance for dividend payout ratio stood at 75%.

Based on the latest results and guidance, we revise our revenue forecast to SAR 1.53bn (vs. SAR 1.6bn previously) and net profit to SAR 623mn (vs. SAR 647mn previously). Consequently, our target price is reduced to SAR 173 per share, which we believe reflects the company's fair value, hence we maintain our HOLD rating on Saudi Logistics.

**Valuation:** We have moderated our outlook for medium-term air traffic and trading volume growth in Saudi Arabia, reflecting recent developments. This adjustment is expected to affect SAL, as indicated by the company's guidance. However, we had already factored in a more cautious view and revised our rating based on earlier quarterly performance. As a result, the latest results came in slightly ahead of our base-case expectations. At current levels, we remain cautious and believe that, at 21.7x 2025e P/E, the stock is fairly valued.

Income statement (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	962	1,223	1,456	1,634	1,538	1,595	1,699	1,844
Cost of revenue	-476	-632	-680	-719	-680	-710	-756	-820
<b>Gross Profit</b>	<b>486</b>	<b>591</b>	<b>776</b>	<b>915</b>	<b>858</b>	<b>885</b>	<b>943</b>	<b>1,023</b>
Administrative and general expenses	-137	-147	-142	-176	-165	-159	-170	-184
Other operating Income / (expense)	24	13	5	2	13	3	3	4
Selling and distribution expenses	-28	-30	-33	-48	-42	-48	-51	-55
<b>EBIT</b>	<b>345</b>	<b>427</b>	<b>586</b>	<b>709</b>	<b>660</b>	<b>681</b>	<b>726</b>	<b>787</b>
<b>EBITDA</b>	<b>451</b>	<b>545</b>	<b>721</b>	<b>819</b>	<b>745</b>	<b>783</b>	<b>833</b>	<b>901</b>
Finance income	4	19	52	59	65	60	60	60
Finance costs	-70	-75	-87	-74	-69	-59	-54	-50
<b>PBT</b>	<b>279</b>	<b>370</b>	<b>550</b>	<b>694</b>	<b>656</b>	<b>682</b>	<b>731</b>	<b>797</b>
Zakat	-3	-8	-41	-33	-33	-34	-37	-40
<b>Net Profit</b>	<b>276</b>	<b>362</b>	<b>510</b>	<b>661</b>	<b>623</b>	<b>648</b>	<b>695</b>	<b>758</b>

Balance Sheet (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property and equipment	659	705	709	720	749	752	754	758
Right-of-use assets	1,284	1,213	886	523	549	536	522	507
Intangible assets	15	14	14	12	12	12	12	12
<b>Total non-current assets</b>	<b>1,958</b>	<b>1,932</b>	<b>1,621</b>	<b>1,254</b>	<b>1,309</b>	<b>1,299</b>	<b>1,288</b>	<b>1,277</b>
Trade receivables	185	233	391	480	446	462	493	535
Other current assets	158	178	51	124	115	120	127	138
Cash and bank balances	872	940	1,210	1,362	1,354	1,419	1,568	1,742
<b>Total current assets</b>	<b>1,215</b>	<b>1,351</b>	<b>1,664</b>	<b>1,978</b>	<b>1,927</b>	<b>2,013</b>	<b>2,200</b>	<b>2,426</b>
<b>Total Assets</b>	<b>3,173</b>	<b>3,284</b>	<b>3,285</b>	<b>3,232</b>	<b>3,236</b>	<b>3,312</b>	<b>3,488</b>	<b>3,703</b>
Share capital	800	800	800	800	800	800	800	800
Reserves	7	47	101	101	101	101	101	101
Retained earnings	155	227	333	501	645	857	1,098	1,369
<b>Total shareholders' equity</b>	<b>962</b>	<b>1,073</b>	<b>1,234</b>	<b>1,402</b>	<b>1,546</b>	<b>1,758</b>	<b>1,999</b>	<b>2,270</b>
Long-term loan	500	500	567	560	483	383	283	183
Employees' end of service benefits	73	78	87	100	99	96	102	111
Lease liabilities	1,322	1,288	1,011	684	685	703	721	739
<b>Total non-current liabilities</b>	<b>1,894</b>	<b>1,866</b>	<b>1,665</b>	<b>1,343</b>	<b>1,266</b>	<b>1,181</b>	<b>1,105</b>	<b>1,032</b>
Current lease liabilities	108	64	69	57	76	78	80	82
Trade payables	16	65	45	127	68	71	76	82
Long term loan current portion	0	0	36	34	22	12	2	-8
Other current liabilities	194	216	235	268	258	212	226	245
<b>Total current liabilities</b>	<b>317</b>	<b>344</b>	<b>385</b>	<b>487</b>	<b>424</b>	<b>373</b>	<b>383</b>	<b>401</b>
<b>Total liabilities</b>	<b>2,211</b>	<b>2,210</b>	<b>2,051</b>	<b>1,830</b>	<b>1,690</b>	<b>1,554</b>	<b>1,489</b>	<b>1,433</b>
<b>Total equity and liabilities</b>	<b>3,173</b>	<b>3,284</b>	<b>3,285</b>	<b>3,232</b>	<b>3,236</b>	<b>3,312</b>	<b>3,488</b>	<b>3,703</b>

Cash Flow (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	309	556	696	796	758	747	838	894
Investing cash flow	-528	282	-596	428	-80	-72	-76	-83
Financing cash flow	-4	-389	-329	-572	-687	-610	-613	-637
Change in cash	157	68	270	152	-9	66	149	174
Beginning cash	715	872	940	1,210	1,362	1,354	1,419	1,568
<b>Ending cash</b>	<b>872</b>	<b>940</b>	<b>1,210</b>	<b>1,362</b>	<b>1,354</b>	<b>1,419</b>	<b>1,568</b>	<b>1,742</b>

Ratio Analysis	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<b>Per Share</b>								
EPS (SAR)	3.4	4.5	6.4	8.3	7.8	8.1	8.7	9.5
BVPS (SAR)	12.0	13.4	15.4	17.5	19.3	22.0	25.0	28.4
DPS (SAR)	2.3	3.2	4.4	6.0	5.4	5.7	6.1	6.6
FCF per share (SAR)	-2.7	10.5	1.2	15.3	8.5	8.4	9.5	10.1
<b>Valuation</b>								
Market cap (SAR Mn)	8,480	8,480	15,552	20,208	13,496	13,496	13,496	13,496
EV (SAR Mn)	9,918	9,392	16,525	20,181	13,408	13,253	13,014	12,750
EBIDTA (SAR Mn)	451	545	721	819	745	783	833	901
P/E (x)	30.8	23.4	30.5	30.6	21.7	20.8	19.4	17.8
EV/EBITDA (x)	22.0	17.2	22.9	24.6	18.0	16.9	15.6	14.2
Price/Book (x)	8.8	7.9	12.6	14.4	8.7	7.7	6.8	5.9
Dividend Yield (%)	2.1%	3.0%	2.3%	2.4%	3.2%	3.4%	3.6%	3.9%
Price to sales (x)	8.8	6.9	10.7	12.4	8.8	8.5	7.9	7.3
EV to sales (x)	10.3	7.7	11.4	12.4	8.7	8.3	7.7	6.9
<b>Liquidity</b>								
Cash Ratio (x)	1.6	2.7	1.8	2.8	3.2	3.8	4.1	4.3
Current Ratio (x)	3.8	3.9	4.3	4.1	4.5	5.4	5.7	6.0
<b>Returns Ratio</b>								
ROA (%)	8.7%	11.0%	15.5%	20.5%	19.2%	19.6%	19.9%	20.5%
ROE (%)	28.6%	33.8%	41.3%	47.2%	40.3%	36.9%	34.8%	33.4%
ROCE (%)	9.6%	12.3%	17.6%	24.1%	22.1%	22.1%	22.4%	22.9%
<b>Cash Cycle</b>								
Accounts Payable turnover (x)	30.1	9.7	15.2	5.6	10.0	10.0	10.0	10.0
Receivables turnover (x)	5.2	5.2	3.7	3.4	3.4	3.4	3.4	3.4
Payable Days	12	38	24	65	37	37	37	37
Receivables days	70	70	98	107	106	106	106	106
Cash Cycle	58	32	74	43	69	69	69	69
<b>Profitability Ratio</b>								
Net Margins (%)	28.6%	29.6%	35.0%	40.5%	40.5%	40.6%	40.9%	41.1%
EBITDA Margins (%)	46.9%	44.6%	49.5%	50.1%	48.4%	49.1%	49.0%	48.9%
PBT Margins (%)	28.9%	30.3%	37.8%	42.5%	42.7%	42.8%	43.0%	43.3%
EBIT Margins (%)	35.9%	34.9%	40.3%	43.4%	42.9%	42.7%	42.7%	42.7%
Effective Tax Rate (%)	1.1%	2.2%	7.4%	4.8%	5.1%	5.0%	5.0%	5.0%
<b>Leverage</b>								
Total Debt (SAR Mn)	1,929	1,852	1,683	1,335	1,266	1,176	1,086	996
Net Debt (SAR Mn)	1,438	912	973	-27	-88	-243	-482	-746
Debt/Equity (x)	2.0	1.7	1.4	1.0	0.8	0.7	0.5	0.4
Net Debt/EBITDA (x)	3.2	1.7	1.3	-0.0	-0.1	-0.3	-0.6	-0.8
Net Debt/Equity (x)	1.5	0.8	0.8	-0.0	-0.1	-0.1	-0.2	-0.3

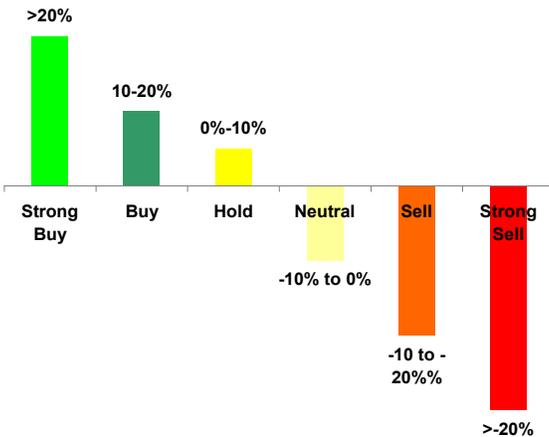
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## Rating Criteria and Definitions

### Rating



### Rating Definitions

<b>Strong Buy</b>	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%
<b>Buy</b>	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%
<b>Hold</b>	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%
<b>Neutral</b>	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%
<b>Sell</b>	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%
<b>Strong Sell</b>	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%
<b>Not rated</b>	This recommendation used for stocks which does not form part of Coverage Universe

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