Catrion

Rating change

Q2 26

Hospitality growth complements aviation recovery

We upgrade Catrion to Overweight with a revised PT of SAR98.1. Despite the near-term impact of the regional conflict, we believe Catrion's outlook is attractive, supported by 1) gradual recovery in aviation activity from 2027f underpinned by significant Saudi carriers' fleet expansions, 2) the acquisition of AlKhalejiah which strengthens Catrion's position in airport hospitality and catering services, and 3) scaling of the Red Sea Project which we expect to contribute cSAR250mn to revenues in 2026f. We expect net income to decline to SAR319mn in 2026f due to the impact of the current conflict, before recovering to SAR486mn by 2028f, supported by higher flight volumes, and non-aviation revenue. The stock trades at 16.0x 2027f P/E and 9.2x EV/EBITDA, vs its peer group average of 15.1x and 8.6x, respectively. We believe a premium is justified given the outlook of the Saudi tourism market.

- **Attractive outlook, despite short-term headwinds**

  Although the current conflict impacted flight activity in the region, we expect international flight activity to progressively recover with a full normalization by 2027f. We note that the conflict that emerged in late February 2026 primarily affected international traffic and foreign carriers operating in the region. While local carriers largely maintained normal operations, disruptions to GCC airspace and selective route suspensions weighed on international flight volumes. However, the operations of selected GCC airlines from Saudi airports and higher Saudi carriers' activities are partially moderating the negative impact. Despite the short-term headwinds, we believe the outlook for the Saudi tourism sector remains positive supported by Vision 2030 initiatives, upcoming major events and expanding airline capacities. Saudi carriers continue to pursue significant fleet expansions, with Saudia, flyadeal, flynas and Riyadh Air targeting fleet growth from 149 / 44 / 71 / 1 aircrafts in 2025 to c237 / c86 / c167 / c182 aircrafts respectively by 2030f.

- **AlKhalejiah's acquisition expands leadership in airport lounges**

  In March 2026, Catrion completed the acquisition of a 55% stake in AlKhalejiah Catering for a consideration of cSAR441mn, with an initial payment of SAR315mn. AlKhalejiah specializes in airport lounges, VIP lounges, and concierge services. As of 2024, the company operated 79 hospitality outlets across Saudi and generated revenue of SAR216mn, up from SAR160mn in 2023 and SAR61mn in 2022. We note that c90% of AlKhalejiah's business is derived from airport and travel hospitality operations, particularly regional and secondary airport lounges, while the remaining revenue is generated from its new bakery manufacturing business. Following the acquisition, we believe Catrion has a leading position in Saudi's airport lounge and travel hospitality market. Looking ahead, we expect AlKhalejiah to contribute an average of c7-8% to Catrion's total revenues with similar growth drivers to the Lounges segment (2025-2028f CAGR of 4.2%).

- **IFC recovery and non-aviation growth**

  Despite the headwinds, we expect revenues to grow 18.9% yoy to SAR2.90bn in 2026f, driven by 1) Alkhalejiah's consolidation and 2) Red Sea Project contribution of cSAR250mn in 2026f. In general, we expect the topline to record a 2025-2028f CAGR of 14.4% to reach cSAR3.7bn. We forecast IFC revenue to record a 2025-2028f CAGR of 10.6%, supported by the major fleet expansions. Based on our estimates, we expect flights and meals served to grow from c265k and c49.3mn in 2025 to c408k and c67.0mn by 2028f, respectively. For other segments, we expect a CAGR of 21.0% mainly driven by non-aviation mainly Red Sea Project and AlKhalejiah's contribution. We expect EBIT margins to decline to 14.1% in 2026f (vs 14.9% in 2025) on higher raw material and opex before improving to 15.8% by 2028f driven by efficiencies and higher contribution of higher margin segments. Accordingly, we forecast net income to increase from SAR319mn in 2026f to SAR486mn by 2028f (CAGR of 15.8%).

- **Upgrade Catrion to Overweight with a PT of 98.1**

  We upgrade Catrion to Overweight with a PT of SAR98.1. Despite the short-term headwinds, the company's outlook is positive driven by the anticipated growth of the Saudi aviation and tourism sectors. The stock trades at 16.0x 2027f P/E and 9.2x EV/EBITDA, vs its peer group average of 15.1x and 8.6x, respectively.

Summary Financials

SAR mn	2025	2026f	2027f	2028f	CAGR
Revenues	2,441	2,902	3,284	3,658	14.4%
Gross Profit	692	782	904	1,036	14.4%
EBIT	365	408	492	577	16.5%
EBIT Margin (%)	*14.9*	*14.1*	*15.0*	*15.8*	
Net income	314	319	399	486	15.8%
Net margin (%)	*12.8*	*11.0*	*12.1*	*13.3*	
EPS (SAR)	3.82	3.90	4.86	5.93	15.8%

Source: Catrion, SNB Capital Research.

OVERWEIGHT

Price target (SAR)	**98.1**
Current price (SAR)	78.0
Upside/Downside (%)	25.7%

VALUATION MULTIPLES

	25	26f	27f
P/E (x)	20.4	20.0	16.0
P/B (x)	4.1	3.7	3.4
EV/EBITDA (x)	13.1	10.8	9.2
Div Yield (%)	2.9	2.9	3.8

Source: SNB Capital Research estimates. All prices a as of 11 June 2026.

MAJOR SHAREHOLDERS %

Saudia	35.7
Foreign ownership	6.46

Source: Tadawul, SNB Capital Research. As of 11 June 2026.

STOCK DETAILS

M52-week range H/L (SAR)	126/67.5
Market cap (USD mn)	1,706
Shares outstanding (mn)	82
Listed on exchanges	Tadawul

Price perform (%)	1M	3M	12M
Absolute	6.4	10.8	(28.8)
Rel. to market	6.43	8.13	(32.4)

Avg daily turnover (mn)	SAR	USD
3m	22.9	6.10
12m	15.9	4.24

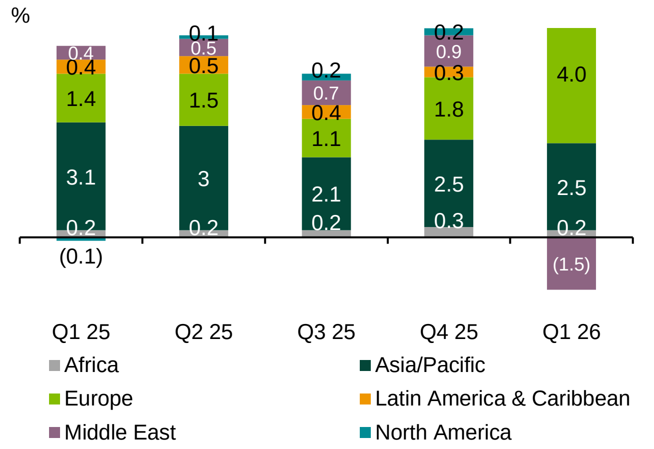
Reuters code	6004.SE
Bloomberg code	CATERING AB
	www.catrion.com

Iyad Ghulam, CFA +966 11 874 7811
i.ghulam@alahlicapital.com

Sarah BinMansour +966 11 874 9738
sarah.binmansour@alahlicapital.com

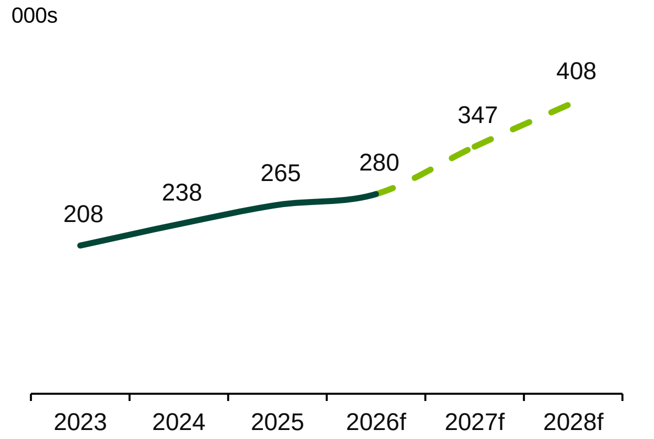
Key Graphs

Exhibit 1: Annual regional growth contribution to industry RPK



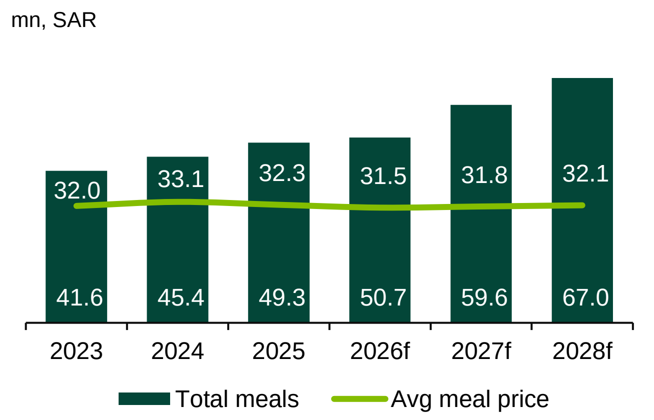
Source: IATA, SNB Capital Research

Exhibit 2: Catrion historical and forecasted flights served



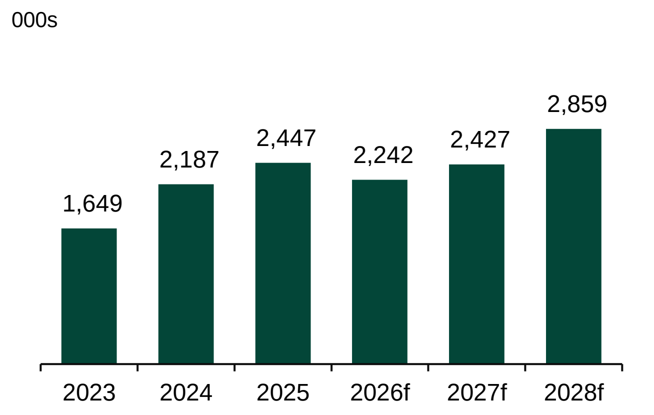
Source: Catrion, SNB Capital Research

Exhibit 3: Meals served and est. price/meal



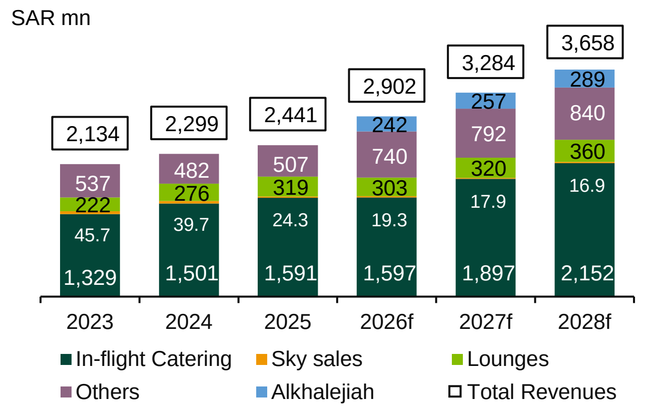
Source: Catrion, SNB Capital Research

Exhibit 4: Historical and forecasted lounge guests



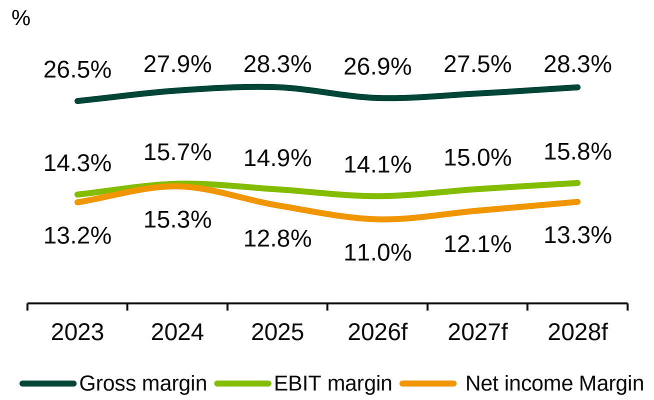
Source: Catrion, SNB Capital Research

Exhibit 5: Revenue breakdown



Source: Catrion, SNB Capital Research

Exhibit 6: Margin overview



Source: Catrion, SNB Capital Research

Key risks

- **Geopolitical uncertainty:** The current conflict disrupted air traffic, passenger demand and airline operations which is expected to impact Catrion's H1 26 performance. Longer than expected disruptions are a risk to our assumptions.
- **Aircraft delivery schedules:** Our forecast includes conservative fleet expansion estimates for Saudi carriers. However, delays in aircraft deliveries could slow flight growth which is a major downside risk. We note that Saudia Group (Saudia and flyadeal) indicated that it expects c100 aircraft deliveries by 2030f, including approximately one aircraft per month in 2026f and one aircraft per week in 2027f.

Valuation

We upgrade Catrion to Overweight with a revised PT of SAR98.1. To determine our PT, we assigned a 70% weight to DCF valuation, 15% P/E and 15% EV/EBITDA valuation. We switched to 2027f for the market-based valuations as we believe 2026f financials will be negatively impacted by the current conflict which is a temporary situation.

Exhibit 7: Valuation summary

				PT	Weights
Risk free	US 10-year	4.5%	DCF	106.5	70%
Adj. Beta	3-year weekly	0.96	P/E	72.8	15%
WACC		9.5%	EV/EBITDA	84.2	15%
Terminal Growth rate		3.0%			
			Price Target (SAR)	**98.1**	

Source: SNB Capital Research estimates

Sensitivity analysis

Given the sensitivity of valuations to both terminal growth and WACC, a sensitivity analysis is carried out on changes to these variables in DCF valuation:

Exhibit 8: DCF valuation – sensitivity analysis (SAR)

		WACC				
		8.5%	**9.0%**	**9.5%**	**10.0%**	**10.5%**
Terminal growth	**2.0%**	105.6	99.4	94.0	89.4	85.2
	2.5%	113.3	106.0	99.8	94.4	89.7
	3.0%	122.4	113.7	**106.5**	100.2	94.8
	3.5%	133.3	122.9	114.2	106.9	100.6
	4.0%	146.6	133.8	123.4	114.7	107.3

Source: SNB Capital Research

Change in estimates

We revised our PT to SAR98.1 (from SAR119.1 earlier) to reflect reduced earnings forecasts, driven by the impact of the regional conflict, slower fleet additions and higher capex.

Exhibit 9: Changes to estimates

In SAR mn, unless otherwise stated

		Old 2026f	New 2026	% Chg	Old 2027f	New 2027f	% Chg
Revenue		2,954	2,902	(1.76%)	3261	3,284	0.72%
EBIT		510	408	(20.0%)	588	492	(16.1%)
Net income		459	319	(30.3%)	531	399	(24.9%)
Price target	**SAR**				**119**	**98.1**	**(17.7)**

Source: SNB Capital Research estimates

Financials

Exhibit 10: Income Statement

In SAR mn, unless otherwise stated

	2025	2026f	2027f	2028f
Revenue	**2,441**	**2,902**	**3,284**	**3,658**
Growth (%)	6.2	18.9	13.2	11.4
Cost of Revenue	1,749	2,121	2,381	2,621
Gross Profit	**692**	**782**	**904**	**1,036**
Growth (%)	7.8	13.0	15.6	14.7
Margin (%)	28.3	26.9	27.5	28.3
SG&A expenses	327	374	412	459
EBITDA	**510**	**621**	**726**	**828**
Growth (%)	8.7	21.8	17.0	14.1
Margin (%)	20.9	21.4	22.1	22.7
D&A	145	213	234	251
Finance costs, net	29	61	67	62
Income from Associates	(5)	(5)	(6)	(6)
PBT	**331**	**342**	**420**	**509**
Zakat	17	22	21	22
Net income	**314**	**320**	**399**	**487**
Net income to Equity	314	319	399	486
Non-controlling interest	-	0.33	0.40	0.49
Growth (%)	(11.1)	2.0	24.8	22.0
Net margin (%)	12.8	11.0	12.1	13.3
EPS (SAR)	**3.82**	**3.90**	**4.86**	**5.93**
DPS (SAR)	**2.30**	**2.30**	**3.00**	**3.50**

Source: Catrion, SNB Capital Research estimates.

Exhibit 11: Balance Sheet

In SAR mn, unless otherwise stated

	2025	2026f	2027f	2028f
Cash & Cash equivalents	398	139	206	289
Accounts receivables	1,057	1,045	1,080	1,203
Inventories	94	118	126	140
Others	108	138	149	165
Total current assets	**1,657**	**1,441**	**1,560**	**1,796**
Fixed Assets	1,263	1,454	1,553	1,544
Right of use asset	441	439	420	418
Investment in Associate	38	33	27	21
Goodwill	0	360	360	360
Other non-current assets	51	115	111	106
Total non-current assets	**1,794**	**2,402**	**2,471**	**2,449**
Total assets	**3,452**	**3,842**	**4,031**	**4,246**
ST debt & leases	88	87	101	101
Accounts Payable	823	959	1,011	1,041
Others	14	48	48	48
Total current liabilities	**925**	**1,093**	**1,160**	**1,190**
LT debt & leases	774	739	670	625
Employees ESOB	169	184	193	202
Other liabilities	8	78	78	78
Total non-current liabilities	**951**	**1,001**	**941**	**906**
Total liabilities	**1,877**	**2,094**	**2,101**	**2,096**
Share capital	820	820	820	820
RE & Reserves	755	928	1,110	1,330
Total stockholders equity	**1,575**	**1,748**	**1,930**	**2,150**
Non-controlling interest	-	42.5	42.9	43.4
Total liabilities & equity	**3,452**	**3,842**	**4,031**	**4,246**

Source: Catrion, SNB Capital Research estimates

Exhibit 12: Cash flow Statement

In SAR mn, unless otherwise stated

	2025	2026f	2027f	2028f
Cash flow from operation	**320**	**677**	**678**	**659**
Cash flow from investing	**(547)**	**(596)**	**(243)**	**(145)**
NOPLAT	346	382	468	552
WC	138	(93)	0.56	123
Capex	(548)	(276)	(243)	(144)
Depreciation	145	213	234	251
Free Cash flow	(257)	283	333	415
Cash flow from financing	**(6)**	**(340)**	**(368)**	**(431)**
Debt	243	(23)	(26)	(44)
Dividends	(188)	(189)	(217)	(267)
Net change in cash	(233)	(259)	66	83
Cash at start of the year	**631**	**398**	**139**	**206**
Cash at end of the year	**398**	**139**	**206**	**289**

Source: Catrion, SNB Capital Research estimates

Exhibit 13: Key Ratios

In SAR mn, unless otherwise stated

	2025	2026f	2027f	2028f
Per Share Ratios				
EPS	3.8	3.9	4.9	5.9
FCF per share	(3.1)	3.5	4.1	5.1
BVPS	19.2	20.8	23.0	25.7
DPS	2.3	2.3	3.0	3.5
Profitability ratios				
Gross margin (%)	28.3	26.9	27.5	28.3
EBIT margin (%)	14.9	14.1	15.0	15.8
EBITDA margin (%)	20.9	21.4	22.1	22.7
Net margin (%)	12.8	11.0	12.1	13.3
Return ratios				
ROE (%)	20.7	19.2	21.7	23.9
ROA (%)	10.2	8.8	10.1	11.8
ROCE (%)	14.4	14.8	17.1	18.9
Payout Ratio (%)	60.1	59.0	61.7	59.0
Liquidity & solvency				
Current ratio	1.8	1.3	1.3	1.5
Quick ratio	1.7	1.2	1.2	1.4
Operating ratios (days)				
Accounts receivables	114	122	120	120
Inventory	14	14	14	14
Accounts payables	172	165	155	145
Cash Cycle	(44)	(29)	(21)	(11)
Valuation ratios (x)				
P/E	20.4	20.0	16.0	13.2
P/FCF	NM	22.6	19.2	15.4
P/B	4.1	3.7	3.4	3.0
EV/Sales	2.7	2.3	2.0	1.8
EV/EBITDA	13.1	10.8	9.2	8.1
Div. yield (%)	2.9	2.9	3.8	4.5
Operational matrix				
Flights served ('000)	265	280	347	408
Meals served (mn)	49.3	50.7	59.6	67.0
Avg. price/meal (SAR)	32.3	31.5	31.8	32.1

Source: Catrion, SNB Capital Research estimates

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