INVESTMENT RESEARCH – Saudi Arabia

Nahdi Medical Company

Sector : Pharma Retail

HOLD

20 May 2026

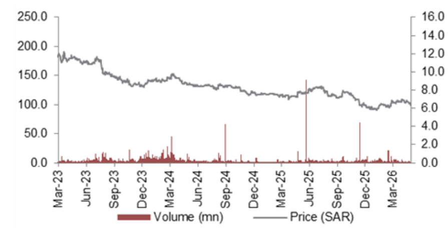
- **Nahdi reported record quarterly revenue in 1Q26 growing by 6.1% YoY and much in line with our estimates. Both front shop and pharma grew by mid-single digits. Revenue growth was backed by 1,223 outlets and 14 clinics. Healthcare and UAE expansion contributed 6% to the topline, while Wasfaty added to the volumes.**
- **Gross margin slipped 75bps YoY, higher opex led to decline in operating profit by -4% YoY during the quarter. Net profit also declined by 7.8% coming closer to our estimate.**
- **We retain 2026e revenue but reduce the profit estimate slightly considering the lower margins during the quarter. The target price stands reduced at SAR 105.15 per share and we recommend to HOLD.**

Revenue increased 6.1% YoY in 1Q26, in line with our expectations, supported by a 3.0% YoY increase in front-shop sales and 5.3% YoY growth in the pharma segment. This marks the highest quarterly revenue reported by the company in its history. Growth was achieved despite macroeconomic headwinds and softer consumer spending trends. The healthcare and UAE businesses grew by 34.8% and 31.8% YoY, respectively. Although these segments were launched only a few years ago, they have scaled up well and currently contribute 6% of topline revenue, compared with 3% in 2024 and 5% in 2025. These businesses have also complemented pharmacy volumes effectively. Online sales continue to gain traction and currently account for 30.7% of topline revenue. The recently launched Wasfaty program recorded a 22% QoQ increase in volumes, further supporting revenue growth. Nahdi's push toward private-label sales has also shown positive momentum, with contribution rising to 18.4% compared with 17% in 2025. We believe this should help support margins going forward.

Gross margin declined by 75bps during the quarter due to cost escalation, resulting in a moderation in gross profit growth to 3.9% YoY. Operating expenses increased 7% YoY, driven by the addition of new outlets and clinics. The contraction in operating margins led to a 4% YoY decline in operating profit, while EBITDA remained broadly flat. Lower finance income and a higher tax provision also weighed on the bottom line. Overall, net profit came in at SAR 236mn, down 7.8% YoY but broadly in line with our estimates.

Valuation: Nahdi has continued to grow its topline despite several macroeconomic headwinds, reflecting the effectiveness of its strategy to diversify its product and service offerings. The company remains a key player in the healthcare value chain and maintains a leadership position within the segment. However, the increasing penetration of online shopping, coupled with softer demand conditions, continues to pressure margins and growth. While the company has maintained its guidance, we believe margin pressure may persist, potentially weighing on earnings growth. We therefore maintain our 2026e revenue forecast while slightly lowering our profit estimates. The stock is trading near the lower end of its historical valuation range and we see limited downside from here. However, based on the revised forecast we reduce our target price to SAR 105.15 per share. Accordingly, we maintain our HOLD rating on the stock.

Target price (SAR)	105.15
Current price (SAR)	98.50
Return	6.80%



Exchange	Saudi Arabia
Index weight (%)	0.3%

(mn)	SAR	USD
Market Cap	12,805	3,457
Enterprise value	13,834	3,735

Major shareholders	
Alnahdi Holding Co L	38.1%
Saudi Economic & Dev	25.0%
Al Misbahi Ibrahim A	6.9%
Others	30.0%

Valuation Summary (TTM)	
PER TTM (x)	14.5
P/Book (x)	5.2
EV/EBITDA (x)	7.8
Dividend Yield (%)	4.8
Free Float (%)	30%
Shares O/S (mn)	130
YTD Return (%)	4%
Beta	0.7

Key ratios	2023	2024	2025
EPS (SAR)	6.87	6.31	6.39
BVPS (SAR)	18.94	19.89	21.10
DPS (SAR)	5.50	5.50	5.60
Payout ratio (%)	80%	87%	88%

Price performance (%)	1M	3M	12M
Nahdi Medical Co	-8%	2%	-18%
Tadawul All Share Index	-3%	0%	-4%

52 week	High	Low	CTL*
Price (SAR)	132.10	91.00	8.2

* CTL is % change in CMP to 52wk low

Income Statement (In SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	**8,616**	**8,714**	**9,446**	**10,213**	**10,637**	**11,534**	**12,529**	**13,844**
Direct Costs	-5,095	-5,191	-5,914	-6,408	-6,839	-7,324	-7,956	-8,791
Gross profit	**3,521**	**3,522**	**3,533**	**3,806**	**3,798**	**4,210**	**4,573**	**5,053**
Selling and distribution expenses	-2,240	-2,249	-2,342	-2,521	-2,520	-2,826	-3,069	-3,392
General and administrative expenses	-331	-337	-347	-378	-371	-415	-451	-498
Other operating income (Net)	52	24	29	20	22	58	63	69
Operating profit	**1,002**	**961**	**873**	**927**	**929**	**1,027**	**1,115**	**1,232**
EBITDA	**1,598**	**1,579**	**1,577**	**1,721**	**1,733**	**1,919**	**2,085**	**2,292**
Finance income	12	65	59	61	194	60	60	60
Finance costs	-79	-83	-116	-142	-246	-124	-136	-149
Other costs	3	2	18	0	0	0	0	0
Profit before tax	**937**	**944**	**835**	**846**	**878**	**963**	**1,039**	**1,144**
Income tax and Zakat	-50	-52	-14	-15	-35	-48	-52	-57
Net profit	**887**	**893**	**821**	**831**	**842**	**915**	**987**	**1,087**

Balance Sheet (in SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Property, plant and equipment	914	1,040	1,113	1,203	1,330	1,421	1,501	1,579
Investment property	254	254	256	256	256	256	256	256
Intangible assets	47	51	69	68	67	67	67	67
Right of use assets	1,167	1,267	1,607	1,825	1,884	1,968	2,076	2,214
Non-current assets	**2,382**	**2,613**	**3,062**	**3,392**	**3,575**	**3,751**	**3,939**	**4,155**
Inventories	1,183	1,409	1,711	2,278	2,431	2,604	2,828	3,125
Trade receivables	130	173	136	261	272	295	321	354
Prepayment and other current assets	174	267	308	204	212	230	250	276
Cash and cash equivalents	1,076	910	957	554	1,115	1,422	1,714	2,006
Current assets	**2,563**	**2,759**	**3,111**	**3,299**	**4,133**	**4,653**	**5,215**	**5,864**
ASSETS	**4,945**	**5,371**	**6,173**	**6,691**	**7,708**	**8,404**	**9,153**	**10,019**
Share capital	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Statutory reserve	280	369	369	0	-	-	-	-
Retained earnings	664	794	917	1,443	1,612	1,795	1,992	2,210
EQUITY	**2,244**	**2,463**	**2,586**	**2,744**	**2,912**	**3,095**	**3,292**	**3,510**
Employee defined benefits	381	392	420	421	479	513	557	615
Lease liabilities	792	871	1,146	1,363	1,608	1,851	2,081	2,324
Accruals and other non-current liabilities	20	15	15	15	-	-	-	-
Non-current liabilities	**1,193**	**1,277**	**1,581**	**1,800**	**2,087**	**2,363**	**2,638**	**2,940**
Lease liabilities	375	304	383	420	536	617	694	775
Provision for zakat/ Zakat payable	107	113	77	51	44	48	52	57
Trade payables	637	894	1,249	1,419	1,514	1,622	1,761	1,946
Accruals and other non-current liabilities	389	320	297	258	616	659	716	791
Current liabilities	**1,508**	**1,631**	**2,006**	**2,148**	**2,710**	**2,946**	**3,223**	**3,569**
LIABILITIES	**2,701**	**2,909**	**3,587**	**3,947**	**4,796**	**5,309**	**5,861**	**6,509**
EQUITY AND LIABILITIES	**4,945**	**5,371**	**6,173**	**6,691**	**7,708**	**8,404**	**9,153**	**10,019**

Cash Flow (In SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	1,670	1,369	1,491	1,134	1,999	1,786	1,928	2,099
Investing cash flow	-277	-384	-328	-354	-141	3	17	34
Financing cash flow	-717	-1,151	-1,117	-1,182	-1,298	-1,482	-1,654	-1,840
Change in cash	**676**	**-166**	**46**	**-403**	**562**	**306**	**293**	**292**
Beginning cash	400	1,076	910	956	554	1,115	1,422	1,714
Ending cash	**1,076**	**910**	**956**	**554**	**1,115**	**1,422**	**1,714**	**2,006**

Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	6.82	6.87	6.31	6.39	6.48	7.04	7.59	8.36
BVPS (SAR)	17.26	18.94	19.89	21.10	22.40	23.81	25.33	27.00
DPS (SAR)	2.31	5.50	5.50	5.60	5.18	5.63	6.08	6.69
FCF per share (SAR)	10.72	7.57	8.95	6.00	14.30	13.77	14.96	16.40
Valuation								
Market Cap (SAR mn)	21,736	17,810	16,042	12,350	12,805	12,805	12,805	12,805
EV (SAR mn)	21,827	18,075	16,615	13,579	13,834	13,850	13,866	13,898
EBITDA	1,598	1,579	1,577	1,721	1,733	1,919	2,085	2,292
P/E (x)	24.5	20.0	19.5	14.9	15.2	14.0	13.0	11.8
EV/EBITDA (x)	13.7	11.4	10.5	7.9	8.0	7.2	6.7	6.1
Price/Book (x)	9.7	7.2	6.2	4.5	4.4	4.1	3.9	3.6
Dividend Yield (%)	1.4%	4.0%	4.5%	5.9%	5.3%	5.7%	6.2%	6.8%
Price to sales (x)	2.5	2.0	1.7	1.2	1.2	1.1	1.0	0.9
EV to sales (x)	2.5	2.1	1.8	1.3	1.3	1.2	1.1	1.0
Liqiudity								
Cash Ratio (x)	0.71	0.56	0.48	0.26	0.41	0.48	0.53	0.56
Current Ratio (x)	1.70	1.69	1.55	1.54	1.53	1.58	1.62	1.64
Quick Ratio (x)	0.80	0.66	0.54	0.38	0.55	0.62	0.66	0.69
Returns Ratio								
ROA (%)	17.9%	16.6%	13.3%	12.4%	10.9%	10.9%	10.8%	10.8%
ROE (%)	39.5%	36.2%	31.7%	30.3%	28.9%	29.6%	30.0%	31.0%
ROCE (%)	25.8%	23.9%	19.7%	18.3%	16.9%	16.8%	16.6%	16.8%
Cash Cycle								
Inventory turnover (x)	4.3	3.7	3.5	2.8	2.8	2.8	2.8	2.8
Accounts Payable turnover (x)	8.0	5.8	4.7	4.5	4.5	4.5	4.5	4.5
Receivables turnover (x)	66.3	50.4	69.7	39.1	39.1	39.1	39.1	39.1
Inventory days	85	99	106	130	130	130	130	130
Payable Days	46	63	77	81	81	81	81	81
Receivables days	6	7	5	9	9	9	9	9
Cash Cycle	45	43	34	58	58	58	58	58
Profitability Ratio								
Net Margins (%)	10.3%	10.2%	8.7%	8.1%	7.9%	7.9%	7.9%	7.8%
EBITDA Margins (%)	18.5%	18.1%	16.7%	16.9%	16.3%	16.6%	16.6%	16.6%
PBT Margins (%)	10.9%	10.8%	8.8%	8.3%	8.3%	8.3%	8.3%	8.3%
EBIT Margins (%)	11.6%	11.0%	9.2%	9.1%	8.7%	8.9%	8.9%	8.9%
Effective Tax Rate (%)	5.3%	5.5%	1.7%	1.8%	4.0%	5.0%	5.0%	5.0%
Leverage								
Total Debt (SAR mn)	1,167	1,175	1,530	1,783	2,144	2,468	2,775	3,099
Net Debt (SAR mn)	91	265	573	1,229	1,029	1,045	1,061	1,093
Debt/Equity (x)	0.5	0.5	0.6	0.7	0.7	0.8	0.8	0.9
Net Debt/Equity (x)	0.0	0.1	0.2	0.4	0.4	0.3	0.3	0.3

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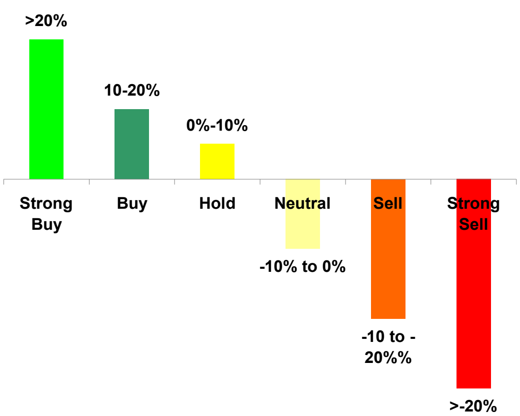
Rating Criteria and Definitions

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

Disclaimer