

Pharma retail

BUY: 12M TP @ 133.40

Upside +15%

Valuation Summary (TTM)

Price (SAR)	116.00
PER TTM (x)	18.1
P/Book (x)	5.6
P/Sales (x)	1.5
EV/Sales (x)	1.8
EV/EBITDA (x)	9.0
Dividend Yield (%)	4.8
Free Float (%)	35%
Shares O/S (mn)	130
YTD Return (%)	-1%
Beta	0.6

(mn)	SAR	USD
Market Cap	15,080	4,019
Enterprise value	16,487	4,451

Price performance (%)	1M	3M	12M
Nahdi Medical Co	-11%	-4%	-10%
Tadawul All Share Index	-1%	-5%	-9%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	18,811	36,875	27,215
Avg Daily Volume (,000)	145	313	232

52 week	High	Low	CTL*
Price (SAR)	137.40	106.00	9.4

* CTL is % change in CMP to 52wk low

Major shareholders

AL-NAHDI HOLDING CO	38.1%
Saudi Economic & Dev	25.0%
Vanguard Group Inc/T	1.5%
Others	35.4%

Other details

Exchange	Saudi Arabia
Sector	Pharma Retail
Index weight (%)	0.5%

Key ratios	2022	2023	2024
EPS (SAR)	6.82	6.87	6.31
BVPS (SAR)	17.26	18.94	19.89
DPS (SAR)	2.31	5.50	5.50
Payout ratio (%)	34%	80%	87%



Nahdi Medical Co – profit beat estimates

Nahdi reported 2Q25 revenue of SAR 2.5bn, broadly in line with our estimate and up 2.2% YoY. Front-shop revenue declined 4%, while pharmaceutical sales rose 3% YoY. For 1H25, revenue reached SAR 5.2bn, a 9.1% YoY increase, exceeding management's full-year guidance of 6–8%. Despite being the market leader, Nahdi continues to face strong competition from both local and international players, alongside intensifying online sales pressure. Management has sought to stay ahead by offering a differentiated product mix and superior customer service. As of 2Q25, the company operated 1,207 pharmacies -1,173 in Saudi Arabia and 34 in the UAE, as well as 12 clinics. Clinic revenue grew 82.2% YoY, while UAE revenue rose 41.4% YoY in 1H25, demonstrating solid growth from a small base (5% of topline). The recently launched Nahdi App has also gained traction, generating SAR 600mn in 2Q25 and lifting online contribution to 25%. Private-label sales, which command higher margins, grew 43% YoY in 1H25, accounting for 16% of total revenue.

Gross margin improved 30bps YoY, exceeding our forecast and driving 2.9% YoY gross profit growth. This improvement was supported by reduced promotional spending following an active 1Q25. During the quarter, the company added one clinic and one pharmacy in KSA and opened four new pharmacies in the UAE. These expansions lifted operating expenses and weighed on margins, with operating margin contracting 75bps YoY and operating profit declining 4.7% YoY in 2Q25. Finance costs remained stable, while the absence of tax provisions boosted earnings. Net profit came in at SAR 238mn, down 3.8% YoY but 21.7% above our estimate. For 1H25, net profit rose 2.7% YoY to SAR 494mn. The earnings beat was primarily driven by stronger-than-expected gross margins. Based on these results, we maintain our 2025e revenue estimate at SAR 10.1bn, while revising our net profit forecast upward to SAR 933mn (from SAR 873mn). We retain our fair value target of SAR 133.40 per share, implying a 15% upside, and reiterate our **BUY** recommendation.

Valuation and outlook: Nahdi remains the leader in Saudi Arabia's pharmaceutical retail sector, a position it has held for several decades. Efforts to drive volume through multiple strategies are gradually gaining traction. While management has outperformed revenue guidance in 1H25, we expect a softer 2H25, which should bring full-year 2025 topline growth to 6-8%. We expect net profit to grow by 13.7% in 2025 and at 7.6% CAGR (2024-28e). The stock has declined following the results and now trades at 16.2x 2025e PE, which we view as an attractive entry point for investors.

Income Statement (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	8,066	8,616	8,714	9,446	10,091	10,785	11,556	12,485
Direct Costs	-4,762	-5,095	-5,191	-5,914	-6,351	-6,660	-7,136	-7,709
Gross profit	3,304	3,521	3,522	3,533	3,741	3,936	4,160	4,495
Selling and distribution expenses	-2,149	-2,240	-2,249	-2,342	-2,412	-2,534	-2,658	-2,872
General and administrative expenses	-307	-331	-337	-347	-354	-388	-416	-449
Other operating income (Net)	72	52	24	29	44	54	58	62
Operating profit	920	1,002	961	873	1,019	1,068	1,144	1,236
EBITDA	1,491	1,598	1,579	1,577	1,784	1,884	2,007	2,182
Finance income	11	12	65	59	64	60	60	60
Finance costs	-79	-79	-83	-116	-148	-115	-127	-138
Other costs	6	3	2	18	0	0	0	0
Profit before tax (PBT)	858	937	944	835	935	1,012	1,077	1,158
Income tax and Zakat	-45	-50	-52	-14	-2	-51	-54	-58
Net profit (PAT)	813	887	893	821	933	962	1,023	1,100

Balance Sheet (in SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property, plant and equipment	885	914	1,040	1,113	1,202	1,305	1,394	1,694
Investment property	230	254	254	256	256	256	256	256
Intangible assets	44	47	51	69	48	48	48	48
Right of use assets	1,328	1,167	1,267	1,607	1,753	1,834	1,837	1,869
Non-current assets	2,487	2,382	2,613	3,062	3,259	3,443	3,535	3,867
Inventories	1,116	1,183	1,409	1,711	1,905	1,998	2,141	2,313
Trade receivables	140	130	173	136	202	216	231	250
Prepayment and other current assets	142	174	267	308	353	377	404	437
Cash and cash equivalents	400	1,076	910	957	510	809	1,170	1,285
Current assets	1,798	2,563	2,759	3,111	2,970	3,400	3,946	4,285
ASSETS	4,285	4,945	5,371	6,173	6,229	6,843	7,481	8,152
Share capital	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Statutory reserve	191	280	369	369	-	-	-	-
Retained earnings	113	664	794	917	1,104	1,296	1,501	1,721
EQUITY	1,604	2,244	2,463	2,586	2,404	2,596	2,801	3,021
Employee defined benefits	387	381	392	420	445	466	500	540
Lease liabilities	992	792	871	1,146	1,443	1,689	1,907	2,117
Accruals and other non-current liabilities	19	20	15	15	-	-	-	-
Non-current liabilities	1,398	1,193	1,277	1,581	1,887	2,155	2,407	2,657
Lease liabilities	365	375	304	383	481	563	636	706
Provision for zakat/ Zakat payable	97	107	113	77	28	30	32	35
Trade payables	484	637	894	1,249	1,270	1,332	1,427	1,542
Accruals and other non-current liabilities	337	389	320	297	159	166	178	193
Current liabilities	1,283	1,508	1,631	2,006	1,938	2,092	2,274	2,475
LIABILITIES	2,681	2,701	2,909	3,587	3,825	4,247	4,681	5,132
EQUITY AND LIABILITIES	4,285	4,945	5,371	6,173	6,229	6,843	7,481	8,152

Cash Flow (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	1,382	1,670	1,369	1,491	1,325	1,754	1,848	1,995
Investing cash flow	-300	-277	-384	-328	-391	-453	-484	-771
Financing cash flow	-1,689	-717	-1,151	-1,117	-1,380	-1,002	-1,003	-1,109
Change in cash	-607	676	-166	46	-446	299	361	115
Beginning cash	1,007	400	1,076	910	956	510	809	1,170
Ending cash	400	1,076	910	956	510	809	1,170	1,285

Ratio Analysis	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share								
EPS (SAR)	6.25	6.82	6.87	6.31	7.18	7.40	7.87	8.46
BVPS (SAR)	12.34	17.26	18.94	19.89	18.49	19.97	21.54	23.23
DPS (SAR)	9.69	2.31	5.50	5.50	5.74	5.92	6.30	6.77
FCF per share (SAR)	8.32	10.72	7.57	8.95	7.19	10.00	10.49	9.41
Valuation								
Market Cap (SAR mn)	17,030	21,736	17,810	16,042	15,080	15,080	15,080	15,080
EV (SAR mn)	17,987	21,827	18,075	16,615	16,494	16,524	16,453	16,617
EBITDA	1,491	1,598	1,579	1,577	1,784	1,884	2,007	2,182
P/E (x)	20.9	24.5	20.0	19.5	16.2	15.7	14.7	13.7
EV/EBITDA (x)	12.1	13.7	11.4	10.5	9.2	8.8	8.2	7.6
Price/Book (x)	10.6	9.7	7.2	6.2	6.3	5.8	5.4	5.0
Dividend Yield (%)	7.4%	1.4%	4.0%	4.5%	4.9%	5.1%	5.4%	5.8%
Price to sales (x)	2.1	2.5	2.0	1.7	1.5	1.4	1.3	1.2
EV to sales (x)	2.2	2.5	2.1	1.8	1.6	1.5	1.4	1.3
Liquidity								
Cash Ratio (x)	0.31	0.71	0.56	0.48	0.26	0.39	0.51	0.52
Current Ratio (x)	1.40	1.70	1.69	1.55	1.53	1.63	1.74	1.73
Quick Ratio (x)	0.42	0.80	0.66	0.54	0.37	0.49	0.62	0.62
Returns Ratio								
ROA (%)	19.0%	17.9%	16.6%	13.3%	15.0%	14.1%	13.7%	13.5%
ROE (%)	50.7%	39.5%	36.2%	31.7%	38.8%	37.1%	36.5%	36.4%
ROCE (%)	27.1%	25.8%	23.9%	19.7%	21.7%	20.2%	19.6%	19.4%
Cash Cycle								
Inventory turnover (x)	4.3	4.3	3.7	3.5	3.3	3.3	3.3	3.3
Accounts Payable turnover (x)	9.8	8.0	5.8	4.7	5.0	5.0	5.0	5.0
Receivables turnover (x)	57.6	66.3	50.4	69.7	50.0	50.0	50.0	50.0
Inventory days	86	85	99	106	110	110	110	110
Payable Days	37	46	63	77	73	73	73	73
Receivables days	6	6	7	5	7	7	7	7
Cash Cycle	55	45	43	34	44	44	44	44
Profitability Ratio								
Net Margins (%)	10.1%	10.3%	10.2%	8.7%	9.2%	8.9%	8.9%	8.8%
EBITDA Margins (%)	18.5%	18.5%	18.1%	16.7%	17.7%	17.5%	17.4%	17.5%
PBT Margins (%)	10.6%	10.9%	10.8%	8.8%	9.3%	9.4%	9.3%	9.3%
EBIT Margins (%)	11.4%	11.6%	11.0%	9.2%	10.1%	9.9%	9.9%	9.9%
Effective Tax Rate (%)	5.2%	5.3%	5.5%	1.7%	0.2%	5.0%	5.0%	5.0%
Leverage								
Total Debt (SAR mn)	1,357	1,167	1,175	1,530	1,924	2,252	2,543	2,823
Net Debt (SAR mn)	957	91	265	573	1,414	1,444	1,373	1,537
Debt/Equity (x)	0.8	0.5	0.5	0.6	0.8	0.9	0.9	0.9
Net Debt/Equity (x)	0.6	0.0	0.1	0.2	0.6	0.6	0.5	0.5

Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joyce@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating	Rating Definitions
	<p>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%</p> <p>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%</p> <p>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%</p> <p>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%</p> <p>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%</p> <p>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%</p> <p>Not rated This recommendation used for stocks which does not form part of Coverage Universe</p>

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