

### Higher operating cost intensity and contraction in gross margins weighed on earnings.

Almajed Oud reported Q1-26 net income of SAR 110mn, down 8.8% Y/Y (up 159.2% Q/Q), earnings were 6.1% below AJBC estimate of SAR 117mn, and 12.1% below consensus forecast of SAR 130.15mn. Deviation to AJBC earnings estimate mainly arises from higher operating expenses (+20.2% deviation). There was a sizable increase in OPEX intensity as OPEX-to-sales increased by 302bps Y/Y. Revenues increased by 6.9% Y/Y (+73.7% Q/Q) to SAR 438mn in Q1-26 (+9.9% deviation to AJBC estimate of SAR 399mn), driven by expansion into new geographies, branch additions, e-commerce sales and new product launches. Gross margins contracted by 214bps Y/Y and 44bps Q/Q to 63.9% in Q1-26 (-180bps deviation to AJBC estimate of 65.7%). The decline in margins is most likely due to branch expansions that are yet to ramp up to optimal level and more promotions.

- **Almajed Oud reported Q1-26 net income** of SAR 110mn, down 8.8% Y/Y (up 159.2% Q/Q), earnings were 6.1% below AJBC estimate of SAR 117mn, and 12.1% below consensus forecast of SAR 130.15mn. Deviation to AJBC earnings estimate mainly arises from higher operating expenses (+20.2% deviation). The decline in earnings is mainly owed to 16.2% Y/Y increase in operating expenses and 214bps contraction in gross margin.
- **Revenues** increased by 6.9% Y/Y (+73.7% Q/Q) to SAR 438mn in Q1-26 (+9.9% deviation to AJBC estimate of SAR 399mn), driven by expansion into new geographies, branch additions, e-commerce sales and new product launches. Note that the sequential increase in sales is owed to the incidence of Ramadan and Eid ul Fitr in Q1-26.
- **Gross profit** increased by 3.4% Y/Y (72.5% on a sequential basis) to SAR 280mn and 6.9% above AJBC estimate of SAR 262mn in Q1-26. That said, gross margins contracted by 214bps Y/Y and 44bps Q/Q to 63.9% in Q1-26 (-180bps deviation to AJBC estimate of 65.7%). The decline in margins is most likely due to branch expansions that are yet to ramp up to optimal level and more promotions/discounts.
- **Operating profit** contracted by 10.8% Y/Y (+150.9% Q/Q) to SAR 114mn in Q1-26 (-7.8% deviation to AJBC estimate of SAR 124mn. Operating margins shrank by 517bps Y/Y (+803bps Q/Q) to 26.1% in Q1-26 (-503bps deviation to AJBC estimate of 31.1%). There was a sizable increase in OPEX intensity as OPEX-to-sales increased by 302bps Y/Y (+322bps deviation to AJBC estimate of 34.6%).

**AJBC view and valuation:** Almajed oud's earnings declined on a Y/Y basis due to margin compression from new branch additions that are yet to ramp up to optimal levels. Company's investment thesis is supported by branch additions, new product launches and higher LFL sales. However, after rallying by 18.2% in the last 12 months the stock is trading at 2026E PE of 16.1x, at which we see limited room for rerating. We maintain our "Neutral" recommendation on the stock and the TP of **SAR 149.4/share**.

### Results Summary

SAR mn	Q1-25	Q4-25	Q1-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	410	252	438	6.9%	73.7%	9.9%
Gross profit	271	162	280	3.4%	72.5%	6.9%
Gross margin	66.0%	64.4%	63.9%	-	-	-
EBIT	128	46	114	-10.8%	150.9%	-7.8%
Net profit	121	42	110	-8.8%	159.2%	-6.1%
EPS	4.83	1.70	4.40	-	-	-

Source: Company Reports, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	149.4
Upside / (Downside)*	+2.1%

Source: Tadawul \*prices as of 30<sup>th</sup> of April 2026

### Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenues	767	926	1,104
Growth %	30.36%	20.73%	19.17%
Gross Profit	511	610	723
EBIT	160	179	237
Net Income	149	157	218
Growth %	18.61%	5.57%	38.64%
EPS	6.0	6.3	8.7
DPS	3.6	5.0	4.0

Source: Company reports, Aljazira Capital Research

### Key Ratios

	FY23	FY24	FY25
Gross Margin	66.6%	65.8%	65.5%
EBIT Margin	20.8%	19.3%	21.5%
Net Margin	19.4%	17.0%	19.7%
PE (x)	15.8	23.3	14.7
PB (x)	5.5	7.8	5.5
EV/EBITDA (x)	8.8	12.1	8.0
Div Yield (%)	3.8%	3.4%	3.1%

Source: Company reports, Aljazira Capital Research

### Key Market Data

Market Cap(bn)	3.6
YTD%	10.6%
52 week (High)/(Low)	172.3/106.4
Share Outstanding (mn)	25

Source: Company reports, Aljazira Capital Research

### Price Performance



Source: Tadawul, Aljazira Capital Research

Senior Equity Analyst

Fahad Qureshi, CFA

+966 11 2256315

f.irfan@aljaziracapital.com.sa

RESEARCH DIVISION

Director - Head of Sell-Side Research  
**Jassim Al-Jubran**  
+966 11 2256248  
j.aljabran@aljazaracapital.com.sa

RESEARCH  
DIVISION

Aljazira Capital, the investment arm of Bank Aljazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. Aljazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. Aljazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, Aljazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING  
TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

## Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of securities, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. Some securities maybe, by nature, of low volume/trades, or may become so, unexpectedly in special circumstances, and this might increase the risk on the investor. Some fees might be levied on some investments in securities. Aljazira Capital, its employees, one or more of its board members, its affiliates, or its clients may have investments in the securities or assets referred to in this report. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.