

SAL Saudi Logistics Services Co.

Neutral Maintained

Neutral

Price Target (SAR): 176.0

Current : 181.0
Upside/Downside: 2.8% below current

Valuation Multiples	24A	25E	26E
P/E (x)	21.9	22.6	20.4
EV/EBITDA (x)	17.7	18.8	17.3

Major Shareholders	% Ownership
Saudi Arabian Airlines Corporation	49.00%
Vision International Investment Co.	9.41%

Price Performance	1M	3M	YTD
Absolute	5.4%	-1.5%	-28.2%
Relative to TASI	2.2%	2.0%	-21.2%

Financial Summary

(SAR mn)	2024	2025E	2026E	2027E
Revenue	1,634	1,606	1,793	1,960
y-o-y growth	12.2%	-1.7%	11.7%	9.3%
Gross Profit	915	903	1,039	1,153
GM Margin	56.0%	56.2%	57.9%	58.8%
y-o-y growth	18.0%	-1.3%	15.1%	10.9%
EBITDA	815	780	863	953
EBITDA Margin	49.9%	48.6%	48.1%	48.6%
Net Income (NI)	661	642	711	785
NI Margin	40.5%	40.0%	39.6%	40.1%
y-o-y growth	29.8%	-3.0%	10.7%	10.5%
EPS	8.27	8.02	8.89	9.82
DPS	5.99	6.01	6.66	7.36
ROE	50.2%	43.2%	42.8%	42.5%

Source: Company data, Al Rajhi Capital estimates.

- We update our investment case for SAL with a Neutral rating and Fair Value of SAR 176/sh, having a downside of 2.8% to the last close
- We opine that the positives (growth in cargo handling volumes, increase in landside charges, planned expansion in handling capacity) and the negatives (pressure in airside charges, near-term earnings pressure due to high base-effect) has been incorporated in the current market price
- However, since limited information is available about the SAR 4bn SAL logistics zone, we await further clarity, and our expectation does not include this project

Investment Thesis: Our investment thesis is premised on the following:

- We opine that the positive of growth in cargo handling volumes, driven by increase in consumption and economic activity (key source of earnings growth for the company over the medium-term) has already been incorporated in the current market price. Other positives that we believe are already incorporated in current market prices includes, 1) planned increase in handling capacity by ~2X (expected to come online by the end of 2027), and 2) increase in landside charges.
- Furthermore, we believe the market has already priced in the potential pressure on airside charges and near-term earnings declining due to high base effect.
- While we are optimistic that the planned SAR 4bn SAL logistics zone would be value accretive (given the high interest being received from company's clients and a shortage of class A warehouses), since the project is in its initial stage and very limited information is available, we await for further clarity and our expectation does not include this project.

2Q25 and Medium-term Expectation: We expect the company's earnings to remain under-pressure in 2Q25 due to the combined impact of 1) ~6% y-o-y decline in cargo handling volumes on the back of shift in Ramadan season and absence of Red sea crisis, 2) lower airside charges, and 3) the absence of material reversal on trade receivables booked in 2Q24.

Figure 1 Summary of 2Q25 Earnings Expectation

(SARmn)	2Q25E	1Q25	4Q24	3Q24	2Q24	2Q25E y-o-y	2Q25E q-o-q
Revenue	376	384	409	367	405	-7.2%	-2.0%
Gross Profit	203	214	223	208	222	-8.7%	-5.2%
Gross Margin	54%	56%	55%	57%	55%		
Operating Profit	160	165	155	159	168	-4.2%	-2.7%
Operating Margin	43%	43%	38%	43%	41%		
Net Income	149	153	142	156	155	-4.3%	-2.9%
Net Income Margin	40%	40%	35%	42%	38%		

Source: Company Data, Al Rajhi Capital estimates

However, we expect the company's earnings to grow by low double-digit in the medium-term on the back of increase in cargo volumes and relatively stable margins in the handling segment on the back of fixed cost nature of the business



Recommendation and Valuation:

We update our investment case for SAL with a Neutral rating and Fair Value of SAR 176/sh having a downside of 2.8% to the last close. We opine that the current market prices adequately incorporate the positives and negatives associated with the stock. We value the company using a discounted cashflow method, using a cost of equity of 10% and terminal growth rate of 3% to arrive at our fair value of SAR 176/sh.

Figure 2 Valuation

DCF Valuation		
DCF Valuation	SAR/sh	176.0
CMP	SAR/sh	181.0
Upside/(Downside)	%	-2.8%
Dividend yield	%	3.3%
Total returns	%	0.6%

Source: Company Data, Al Rajhi Capital estimates



Financials

Figure 3 Income Statement

SAR mn	2024	2025E	2026E	2027E	2028E	2029E
Revenue	1,634	1,606	1,793	1,960	2,158	2,354
<i>y-o-y growth</i>	12.2%	-1.7%	11.7%	9.3%	10.1%	9.1%
Cost of Sales	(719)	(703)	(754)	(807)	(934)	(995)
Gross Profit	915	903	1,039	1,153	1,223	1,360
<i>y-o-y growth</i>	18.0%	-1.3%	15.1%	10.9%	6.1%	11.1%
<i>margins</i>	56.0%	56.2%	57.9%	58.8%	56.7%	57.8%
S&D Exp	(48)	(44)	(54)	(59)	(65)	(71)
G&A Exp	(176)	(155)	(179)	(196)	(216)	(235)
Impairment loss on trade receivables	17	(24)	(32)	(34)	(37)	(41)
Other income	2	13	2	2	2	2
Operating Profit	709	693	776	866	908	1,015
<i>y-o-y growth</i>	21.0%	-2.3%	12.0%	11.6%	4.8%	11.8%
<i>margins</i>	43.4%	43.1%	43.3%	44.2%	42.1%	43.1%
Financial costs, net	(15)	(19)	(28)	(39)	(45)	(40)
Net Income before Zakat	694	674	748	827	863	975
Zakat	(33)	(32)	(37)	(41)	(43)	(49)
Net Income	661	642	711	785	820	926
<i>y-o-y growth</i>	29.8%	-3.0%	10.7%	10.5%	4.4%	13.0%
<i>margins</i>	40.5%	40.0%	39.6%	40.1%	38.0%	39.4%
EPS	8.27	8.02	8.89	9.82	10.25	11.58

Source: Company Data, Al Rajhi Capital estimates.

Figure 4 Balance Sheet

SAR mn	2024	2025E	2026E	2027E	2028E	2029E
Cash and cash equivalents	1,362	1,134	726	280	298	308
Trade receivables	480	534	540	591	648	709
Others	136	141	141	141	141	141
Current Assets	1,978	1,809	1,407	1,012	1,088	1,159
Property and equipment	720	843	1,308	1,779	1,742	1,715
Intangible assets	12	10	9	8	7	6
Right-of-use assets	523	553	581	609	637	665
Others	0	42	42	42	42	42
Total Assets	3,232	3,257	3,347	3,450	3,516	3,587
Trade payables	127	61	62	66	77	82
Bank borrowings	57	50	50	50	50	50
Current Portion of Lease liabilities	34	37	37	37	37	36
Others	268	237	237	237	237	237
Current Liabilities	487	385	387	391	401	405
Bank borrowings	560	500	400	300	200	100
Non-Current Portion of Lease liabilities	684	698	708	710	703	684
Others	100	103	103	103	103	103
Total liabilities	1,830	1,686	1,598	1,505	1,407	1,293
Share capital	800	800	800	800	800	800
Retained earnings	501	670	848	1,044	1,208	1,393
Others	101	101	101	101	101	101
Shareholders Equity	1,402	1,571	1,749	1,945	2,109	2,295
Total Liabilities & Equity	3,232	3,257	3,347	3,450	3,516	3,587

Source: Company Data, Al Rajhi Capital estimates

Figure 5 Ratios and Multiples

	2024	2025E	2026E	2027E	2028E	2029E
(Debt & Lease) /Asset	41.0%	39.6%	36.2%	32.3%	28.4%	24.5%
ROE	50.2%	43.2%	42.8%	42.5%	40.4%	42.1%
P/E	21.9x	22.6x	20.4x	18.4x	17.7x	15.6x
P/B	10.3x	9.2x	8.3x	7.4x	6.9x	6.3x
D/Y	3.3%	3.3%	3.7%	4.1%	4.5%	5.1%
EV/EBITDA	17.7x	18.8x	17.3x	16.1x	14.2x	12.8x

Source: Company Data, Al Rajhi Capital estimates.

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