SAL Saudi Logistics Services Co.

Results Flash Note Q1-25

Volume normalization and shift in revenue mix dragged the earnings

SAL Saudi Logistics Services Co. posted 26.6% Y/Y decline in net profit in Q1-25 to SAR 153mn, in line with our and consensus estimates of SAR 158mn and SAR 156mn, respectively. The earnings were impacted by lower revenue as well as the contraction of GP and operating margins. Revenue fell 15.1% Y/Y to SAR 384mn, below our estimate of SAR 416mn, due to a 6% drop in volumes (a normalization from exceptional spike in Q1-24) and an unfavorable shift in revenue mix. GP margin decreased ~190 bps to 55.8% but came above our expectations. Operating margin contracted to 43.0% vs. 50.3% in Q1-24 (AJC estimate: 40.4%) due to lower volumes and one-off provisioning from account receivables. We maintain our TP on SAL at SAR 186/share and the "Neutral" recommendation.

- SAL posted a net profit of SAR 153mn (-26.6% Y/Y) in Q1-25, in line with AJC's estimate of SAR 158mn. Net income was impacted by lower revenue owing to lower volumes and the unfavorable shift in revenue mix. The decline in volumes also weighed on margins in addition to one-off provisioning from account receivables.
- Revenue fell 15.1% Y/Y to SAR 384mn, below our estimate of SAR 416mn, as 6% Y/Y drop in volumes coupled with an unfavorable revenue mix dragged the topline. It is noteworthy that Q1-24 witnessed exceptionally high volumes due to benefit from Red Sea issue. Moreover, timing differences in project activity in Logistics division also impacted on the revenue in Q1-25.
- Gross profit declined 17.9% Y/Y to SAR 214mn (slightly below AJC's estimate of SAR 228mn). GP margin decreased ~190 bps to 55.8% but came above our expectations of 54.7%.
- Operating profit dropped 27.6% Y/Y to SAR 165mn (AJC estimate: SAR 168mn), as one-off provisioning from account receivables added to the pressure from gross margin contraction. Operating margin contracted to 43.0% vs. 50.3% in Q1-24 (AJC estimate: 40.4%).

AJC view and valuation: SAL's Q1-25 performance was broadly in line with our expectations, as lower than expected revenue was offset by better-than-expected margins. As expected, volumes normalized from exceptional levels in Q1-24, which also led to contraction of margin given the majority fixed cost structure. However, the margins came above our expectations. We believe Logistic revenue was lower than our expectations, which led to lower total revenue and higher margins compared to our estimates. Nevertheless, volumes in the long term are expected to be driven by growing demand in the sector. SAL, being the dominant player in the sector, will benefit from the growing demand. Thus, we expect the company to regain the growth momentum next year after the normalization of volumes this year. That said, margins would remain under pressure from shift in revenue mix amid growing low-priced e-commerce service and contribution from low-margin Logistic segment in addition to extension of some large contracts by the company at lower prices. SAL is currently trading at 23.3x P/E and dividend yield 3.2% based on our FY25E estimates. We maintain our TP on SAL at **SAR 186/share** and the "**Neutral**" recommendation.

SAR mn	Q1-24	Q4-24	Q1-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	453	409	384	-15.1%	-6.0%	-7.8%
Gross Profit	261	223	214	-17.9%	-4.1%	-5.9%
Gross Margin	57.7%	54.6%	55.8%	-	-	-
EBIT	228	155	165	-27.6%	6.6%	-1.9%
Net Profit	208	142	153	-26.6%	7.8%	-2.9%
EPS	2.61	1.78	1.91	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	Neutral
Target Price (SAR)	186.0
Upside / (Downside)*	2.6%

Source: Tadawul *prices as of 13th of May 2025

Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	1,456	1,634	1,688	1,900
Growth %	19.1%	12.2%	3.3%	12.5%
Gross Profit	776	915	908	1,037
Net Income	510	661	622	697
Growth %	40.6%	29.8%	-6.0%	12.1%
EPS	6.37	8.27	7.77	8.71
DPS	4.40	5.99	5.75	6.50

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	53.3%	56.0%	53.8%	54.6%
Net Margin	35.0%	40.5%	36.8%	36.7%
ROE	44.2%	50.2%	41.9%	42.2%
ROA	15.5%	20.3%	19.1%	18.9%
P/E (x)	30.5	30.6	23.3	20.8
P/B (x)	12.6	14.4	9.3	8.3
EV/EBITDA (x)	22.9	24.8	18.7	16.2
Dividend Yield	2.3%	2.4%	3.2%	3.6%

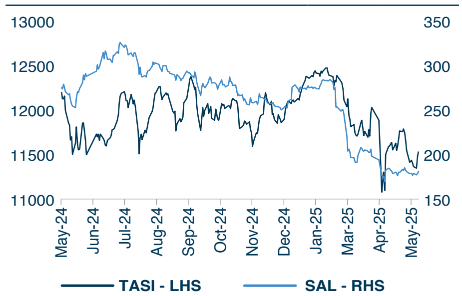
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	14.5
YTD%	-28.3%
52 week (High)/(Low)	328.0/174.8
Share Outstanding (mn)	80.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH DIVISION

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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