August 2025

# Astra Industrial Group

## Investment Update

### Pharma segment to champion the growth at Astra in the visible term; more challenges expected on Chemicals and Steel amid macro conditions. Downgraded to “Neutral”

**Astra delivered a Q2-25 bottom line of SAR 175mn in Q2-25, supported by a SAR 40mn provision reversal to grow net income by 3.7% Y/Y and 1.8% Q/Q. Excluding one offs, Astra would have posted a growth of 12.6% Y/Y and at a decline of 21.5% Q/Q (as Q2-24 booked non recurring gains of SAR 49mn as well). Revenues declined Y/Y across all segments- and while we are optimistic on the pharma segment for H2-25 and thereafter- we revise our outlooks on the Chemical and Steel segments. Our outlooks on the Chemicals segment were toned down amid more intensified global economic conditions, and as management signals more struggle in the sector for the visible term. Our changes on Steel reflect Astra’s strategy for the segment to focus less on project volumes and more on higher margin businesses. With a backlog for the segment spanning for only one year, we see risks in backlog replenishment amid project slowdowns. Our forecasts now stand at a FY24-30E revenue & net income CAGR of 4.5%/9.7%. We revise our TP down 9.3% to SAR 164.0 per share, while downgrading our recommendation to “Neutral” on the stock facing challenges on half its revenue makeup.**

**Q2-25 results were one-off gain driven at a SAR 40mn impact, while all segments reported muted Y/Y revenue performance:** : Astra posted a net income of SAR 175mn in Q2-25, up 3.7% Y/Y and 1.8% Q/Q. Bottom line, however, was supported by a c. SAR 40mn reversal in legal provisions regarding the liquidation one of its steel segment subsidiaries, Al-Tanmiya. Net income adjusting for the one-off gain would have stood at a growth of 12.6% Y/Y and a decline of 21.5% Q/Q (adjusting for non-recurring gain of SAR 49mn in Q2-24). Revenue performance was lackluster at declined of 12.7% Y/Y and 14.2% Q/Q. Pharmaceuticals’ revenue came down 0.3% Y/Y and 20.3% Q/Q as tolling contracts in the segments mature, Chemicals’ top line were down 3.8% Y/Y and 6.1% Q/Q, while Steel’s was down 44.4% Y/Y and 11.0% Q/Q. Gross profits at were down 3.6% Y/Y and 12.3%, despite GPMs expanding to 45.7% by 460bps Y/Y and 120bps Q/Q. GPMs were higher on the back of more Pharmaceutical revenue makeup, as well as higher GPMs from the steel segment (reaching 24.5%, up by 10.3 ppts Y/Y and 9.1 ppts Q/Q).

**Bleaker outlook on Chemicals, changes in Steel segment’s strategy prompts a revision in our estimates, while we expect Pharma to champion Astra’s performance:** The Specialty Chemicals Segment, which once saw a FY18-22 revenue CAGR of 11%, has been posting flat like top line performance from since then; as the segment declined year after year from SAR 1.07bn in FY22 to SAR 1.05bn in FY24. Management expects little change to take place on the Petrochem business in the near term, as global trade and economic pressures weigh the segment down. In light of recent negative global macro developments and trade constraints, we expect the economic cycle to still be not in favor of the segment until global trade conditions improve. We tone down our top line FY24-30E CAGR estimates on the segment from 5.2% to 3.0%, as global trade and economic conditions intensified to the worse from since our initial forecasts. We tone down our forecasts on the smaller Steel Segment significantly, as construction projects slowdowns take place, and as management shifts their strategy on the segment to target higher margin products even at the cost of project volumes. Our top line forecasts on the segment flatten, dropping by 16% from FY24’s higher base by FY30, while we expect gross margins to expand amid the new focus on higher margin business. While key projects are near completion, we expect flatter top line performance in the years after, as its current backlog spans only to one year ahead. We remain optimistic on the Pharmaceutical Segment, and the sector, and as Astra looks to also recognize new tolling contracts in FY26 revenues, after recent maturities of tolling contracts weighing down on performance. Management maintains their top line guidance on the segment reaching up to 10%, while we expect the new tolling business and NUPCO biddings to support further medium term performance. Our revised forecasts for the conglomerate are summarized by a FY24-30E revenue and net income CAGR of 4.5%/9.7% (down from 7.3%/10.9%). With gross margins reaching higher to 48.7% by FY27E, as we expect the pharma segment to take on more share of Astra’s consolidated revenue, from 50% in H1-25 to 54% by FY27E- and as steel also enhances its GPMs.

| | |
|---|---|
| **Recommendation** | **Neutral** |
| **Target Price (SAR)** | **164.0** |
| **Upside / (Downside)*** | **13.6%** |

Source: Tadawul *prices as of 26th of August 2025

### Key Financials

| in SAR mn, (unless specified) | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Revenues | 3,062 | 3,011 | 3,237 | 3,456 |
| Growth % | 8.6% | -1.7% | 7.5% | 6.7% |
| Gross Profit | 1,342 | 1,434 | 1,563 | 1,682 |
| EBIT | 658 | 775 | 814 | 892 |
| Net Income | 589 | 672 | 719 | 804 |
| Growth % | 24.0% | 14.0% | 7.1% | 11.8% |
| EPS | 7.36 | 8.40 | 8.99 | 10.05 |
| DPS | 3.00 | 3.50 | 4.00 | 4.50 |

Source: Company reports, Aljazira Capital Research

### Key Ratios

| | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Gross Margin | 43.8% | 47.6% | 48.3% | 48.7% |
| OP Margin | 21.5% | 25.7% | 25.2% | 25.8% |
| Net Margin | 19.2% | 22.3% | 22.2% | 23.3% |
| EBITDA Margin | 27.1% | 28.1% | 28.6% | 29.1% |
| RoE | 23.3% | 22.8% | 21.4% | 21.0% |
| RoA | 13.6% | 14.7% | 14.5% | 14.8% |
| P/E (x) | 24.4 | 17.2 | 16.0 | 14.3 |
| P/B (x) | 5.7 | 3.9 | 3.4 | 3.0 |
| EV/EBITDA (x) | 19.9 | 13.5 | 12.8 | 11.5 |
| Dividend Yield | 1.7% | 2.4% | 2.8% | 3.1% |

Source: Company reports, Aljazira Capital Research

### Key Market Data

| | |
|---|---|
| Market Cap (SAR bn) | 11.5 |
| YTD% | -19.9% |
| 52 weeks (High)/(Low) | 207/125.6 |
| Share Outstanding (mn) | 80 |

Source: Company reports, Aljazira Capital Research

### Price Performance

Source: Tadawul, AlJazira Capital Research


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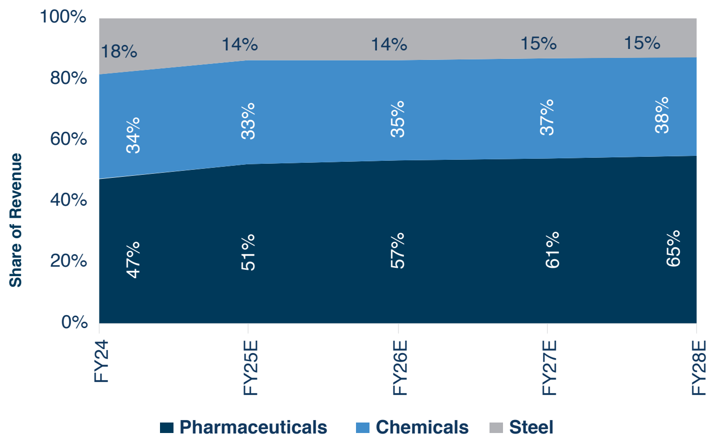
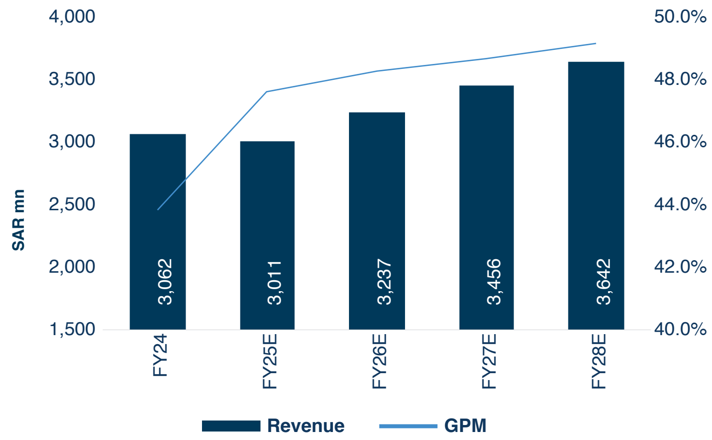
**Fig 1: Pharmaceuticals to grow in share of revenue**




Source: Company presentations, Aljazira Capital Research

**Fig 2: GPMs to be supported by more high-margin Pharma segment contribution**




Source: Company Financials, Aljazira Capital Research

**Astra offers a solid financial profile as cash sukuk and equivalents make up 33% if total assets, supporting working capital needs, dividends, CAPEX, and potential M&As:** Astra remains a quality balance sheet company as it stands at a net D/E of -0.38x when also considering its income generating sukuk holdings. It operates at a low CAPEX intensity at almost 3%, and yields cashflow from operations at a 14% of assets on average from FY21-24; supporting the growth in its cash and equivalents from SAR 46mn to 1.5bn during the period, and retained earnings expanding by 4x when excluding the statutory reserve transfer. The conglomerate is able to consistently deliver payouts of almost 40%+ from since FY22, and we expect that to carry forward till FY28E where Astra could be able to deliver a 50% payout at a SAR 5.50 DPS- unless it undergoes M&As towards inorganic growth. Astra maintains its strategic cash and equivalents holding to support dividends, working capital, and potential M&As which could change the financial profile of the firm by then. We also expect the higher CAPEX for the coming periods to not affect its payout capabilities, in support by its cash generation.

**AJC view and valuation:** Astra offers a quality firm to investors, though our medium term outlooks on its Chemicals and Steel segments were revised down from our previous forecasts. Our changes come amid more intensified trade constraints and global economic conditions cooldown the Chemicals segment, and as construction projects slowdowns change our medium term view on the one-year backlog wielding Steel segment. We do however reflect the strategic shift to higher margin projects in the segment improving its working capital, along with our optimistic view on the developments at the Pharma segment to arrive at a revised down FY24-30E top line and bottom line CAGR of 4.5%/9.7%. We revise our TP down by 9.3% via a blended 50% sum of parts PE valuation on FY26E earnings (28x on Pharma, 15x on Chemicals, 12x on Steel and Others, summed with a 10% conglomerate discount on the group), and 50% on DCF (10.4% WACC), arriving at a TP of **SAR 164.0 per share** at a revised recommendation at "**Neutral**" for the firm with challenges taking place on 50% of its revenue makeup.

**Valuation Summary (SAR /share):**

| | Target Price | Weight | Weighted TP |
|---|---|---|---|
| **DCF** | 156.1 | 50% | 78.1 |
| **SOTP PE on FY26** | 171.8 | 50% | 85.9 |
| **Target Price (SAR/Share):** | | | **164.0** |
| **Upside/Downside:** | | | **13.6%** |

Source: AlJazira Capital Research *Prices as of 26th-Aug-2025

**Upside risks to valuation:**

- Quicker improvement in the economic cycle on its Chemicals and Steel segments
- Larger increase in population supporting private healthcare sector demand on its Pharma segments
- Value accretive M&A's

**Downside risks to valuation:**

- Extended project delays across the Kingdom on Steel segment
- Longer recovery in demand on Chemicals

## Key Financial Data

| Amount in SARmn, unless otherwise specified | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | |
| Revenues | 3,062 | 3,011 | 3,237 | 3,456 | 3,642 | 3,821 | 3,996 |
| **Y/Y** | **8.6%** | **-1.7%** | **7.5%** | **6.7%** | **5.4%** | **4.9%** | **4.6%** |
| Cost | (1,720) | (1,577) | (1,675) | (1,774) | (1,852) | (1,924) | (1,996) |
| **Gross profit** | **1,342** | **1,434** | **1,563** | **1,682** | **1,791** | **1,896** | **2,000** |
| **Y/Y** | **13.5%** | **6.8%** | **9.0%** | **7.6%** | **6.5%** | **5.9%** | **5.5%** |
| **GPM** | **43.8%** | **47.6%** | **48.3%** | **48.7%** | **49.2%** | **49.6%** | **50.0%** |
| S&D Expenses | (412) | (431) | (460) | (487) | (510) | (531) | (552) |
| G&A Expenses | (224) | (180) | (239) | (253) | (265) | (276) | (287) |
| Impariment loss | (19) | (16) | (17) | (16) | (15) | (12) | (13) |
| Other operating Income/(expense) | (29) | (32) | (33) | (34) | (34) | (34) | (34) |
| **Operating profit** | **658** | **775** | **814** | **892** | **966** | **1,043** | **1,115** |
| **Y/Y** | **23.5%** | **17.7%** | **5.1%** | **9.5%** | **8.4%** | **7.9%** | **6.9%** |
| **EBIT Margin** | **21.5%** | **25.7%** | **25.2%** | **25.8%** | **26.5%** | **27.3%** | **27.9%** |
| Financing Expense | (107) | (88) | (67) | (51) | (42) | (35) | (27) |
| Other income | 75 | 75 | 73 | 76 | 78 | 81 | 83 |
| **Income before zakat** | **626** | **762** | **820** | **916** | **1,003** | **1,088** | **1,171** |
| Zakat | (73) | (68) | (82) | (92) | (100) | (109) | (117) |
| **Net income** | **589** | **672** | **719** | **804** | **880** | **955** | **1,027** |
| **Y/Y** | **24.0%** | **14.0%** | **7.1%** | **11.8%** | **9.5%** | **8.5%** | **7.6%** |
| **EPS (SAR)** | **7.36** | **8.40** | **8.99** | **10.05** | **11.00** | **11.94** | **12.84** |
| **DPS (SAR)** | **3.00** | **3.50** | **4.00** | **4.50** | **5.50** | **6.00** | **6.50** |
| **Balance sheet** | | | | | | | |
| **Assets** | | | | | | | |
| Cash & equivalent | 178 | 212 | 275 | 555 | 836 | 1,155 | 1,510 |
| Receivables | 1,121 | 1,110 | 1,189 | 1,265 | 1,328 | 1,388 | 1,446 |
| Other current assets | 1,482 | 1,492 | 1,605 | 1,725 | 1,845 | 1,972 | 2,107 |
| **Total current assets** | **2,781** | **2,814** | **3,070** | **3,545** | **4,009** | **4,515** | **5,064** |
| Property plant & equipment | 782 | 1,001 | 1,179 | 1,202 | 1,244 | 1,279 | 1,305 |
| Other non-current assets | 765 | 753 | 729 | 699 | 668 | 638 | 611 |
| **Total assets** | **4,328** | **4,568** | **4,978** | **5,447** | **5,920** | **6,432** | **6,980** |
| **Liabilities & owners' equity** | | | | | | | |
| Short-term loans | 435 | 370 | 315 | 267 | 241 | 217 | 195 |
| Payables | 236 | 219 | 234 | 251 | 264 | 277 | 290 |
| Total other current liabilities | 888 | 809 | 854 | 899 | 933 | 964 | 994 |
| **Total current liabilities** | **1,559** | **1,398** | **1,403** | **1,417** | **1,438** | **1,458** | **1,480** |
| LT loans | 39 | 33 | 28 | 24 | 22 | 20 | 18 |
| Total other non-current liabilities | 199 | 191 | 183 | 176 | 170 | 163 | 158 |
| **Total non-current liabilities** | **238** | **225** | **212** | **201** | **192** | **183** | **175** |
| Paid -up capital | 800 | 800 | 800 | 800 | 800 | 800 | 800 |
| Reserves | 1,724 | 2,116 | 2,515 | 2,959 | 3,399 | 3,874 | 4,382 |
| **Total owners' equity** | **2,531** | **2,945** | **3,363** | **3,828** | **4,291** | **4,790** | **5,324** |
| **Total equity & liabilities** | **4,328** | **4,568** | **4,978** | **5,447** | **5,920** | **6,432** | **6,980** |
| **Cashflow statement** | | | | | | | |
| Operating activities | 730 | 779 | 789 | 882 | 975 | 1,058 | 1,141 |
| Investing activities | (746) | (344) | (288) | (136) | (177) | (188) | (197) |
| Financing activities | (863) | (354) | (383) | (413) | (471) | (508) | (545) |
| Change in cash | (879) | 22 | 64 | 279 | 281 | 320 | 355 |
| **Ending cash balance** | **178** | **212** | **275** | **555** | **836** | **1,155** | **1,510** |
| **Key fundamental ratios** | | | | | | | |
| **Liquidity ratios** | | | | | | | |
| Current ratio (x) | 1.8 | 2.0 | 2.2 | 2.5 | 2.8 | 3.1 | 3.4 |
| Quick ratio (x) | 1.7 | 1.9 | 2.0 | 2.1 | 2.2 | 2.3 | 2.4 |
| **Profitability ratios** | | | | | | | |
| Gross profit margin | 43.8% | 47.6% | 48.3% | 48.7% | 49.2% | 49.6% | 50.0% |
| Operating margin | 21.5% | 25.7% | 25.2% | 25.8% | 26.5% | 27.3% | 27.9% |
| EBITDA margin | 27.1% | 28.1% | 28.6% | 29.1% | 29.7% | 30.3% | 31.1% |
| Net profit margin | 19.2% | 22.3% | 22.2% | 23.3% | 24.2% | 25.0% | 25.7% |
| Return on assets | 13.6% | 14.7% | 14.5% | 14.8% | 14.9% | 14.8% | 14.7% |
| Return on equity | 23.3% | 22.8% | 21.4% | 21.0% | 20.5% | 19.9% | 19.3% |
| **Leverage ratio** | | | | | | | |
| Debt / equity (x) | 0.19 | 0.14 | 0.10 | 0.08 | 0.06 | 0.05 | 0.04 |
| **Market/valuation ratios** | | | | | | | |
| EV/sales (x) | 4.8 | 3.9 | 3.6 | 3.3 | 3.0 | 2.8 | 2.6 |
| EV/EBITDA (x) | 19.9 | 13.5 | 12.8 | 11.5 | 10.3 | 9.3 | 8.4 |
| P/E ratio (x) | 24.4 | 17.2 | 16.0 | 14.3 | 13.1 | 12.1 | 11.2 |
| P/BV ratio (x) | 5.7 | 3.9 | 3.4 | 3.0 | 2.7 | 2.4 | 2.2 |
| Dividend yield | 1.7% | 2.4% | 2.8% | 3.1% | 3.8% | 4.2% | 4.5% |
| EPS (SAR) | 7.4 | 8.4 | 9.0 | 10.1 | 11.0 | 11.9 | 12.8 |
| BVPS (SAR) - Adjusted | 31.6 | 36.8 | 42.0 | 47.8 | 53.6 | 59.9 | 66.5 |
| Market price (SAR) | 180.00 | 144.1 | 144.1 | 144.1 | 144.1 | 144.1 | 144.1 |
| Market-Cap (SAR mn) | 14,403.6 | 11,528 | 11,528 | 11,528 | 11,528 | 11,528 | 11,528 |

Source: AlJazira Capital Research *Prices as of 25th August 2025

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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