



Recent rout has opened upside; at 2025E PE of 15.3x we upgrade our rating to **“Overweight”**

Al Majed recorded net income of SAR 24.3mn in Q2-25, down 56.1% Y/Y (-79.8% Q/Q), in line with our estimate of SAR 21.5mn, however, substantially below consensus estimate of SAR 52.8mn. Due to the seasonal shift, Q2-25 revenues declined 19.6% Y/Y (-49.1% Q/Q), however topline expanded by 20% Y/Y in H1-25. Due to expanding retail footprint, new product launches, growing online revenues and improving LFL sales we expect the company to post a 15.0/27% Y/Y increase in topline/income in H2-25. There would be almost no effect of the 11-day shift in Islamic calendar on key sales seasons (national day and end of year) in H2-25, as major sale seasons are based on Gregorian dates. Overall, we expect the company to post earnings growth of 25.9% in 2025 and a medium term (2024-28) revenue and net income CAGR of 7.6% and 12.1%, respectively. After the 17.7% YTD price decline, the company trades at a 2025E PE of 15.3x, hence we upgrade to a **“Overweight”** rating with a target price of SAR 149.4/share, implying an upside of 24.3% from last close.

Earnings were in line with AJC estimate recording a seasonally driven decline of 56.1% Y/Y; H1-25 earnings grew by 22% better reflecting the improved performance: Al Majed recorded net income of SAR 24.3mn in Q2-25, down 56.1% Y/Y (-79.8% Q/Q), in line with our estimate of SAR 21.5mn, however, substantially below consensus estimate of SAR 52.8mn. We highlight that last 9 days of Ramadan that have ~2.5 times the per day sales of first 20 days of Ramadan fell in Q2-24, while Ramadan fully fell into Q1 in 2025. Due to the aforesaid shift Q2-25 revenues declined 19.6% Y/Y (-49.1% Q/Q). LFL sales fell by 37% Y/Y to SAR 150mn in Q2-25, on half year basis LFL sales were up 4% Y/Y in 1H-25. Gross profit declined by 22.1% Y/Y (down 50.1% Q/Q) driven by 231bps Y/Y decline in margins to 64.8% due to seasonal decline in sales. Operating profit decline was much larger at 53.3% Y/Y (77.6% Q/Q) due to 11.1% Y/Y increase in G & A expenses linked to 19% Y/Y increase in store count to 364. Note that gross, operating & net profit grew by 17.3% Y/Y, 18.6% Y/Y and 21.5% Y/Y respectively in 1H-25 to SAR 406mn, SAR 157mn and SAR 145mn. Online sales grew by 52% Y/Y in H1-25. All categories witnessed expansion in margins, specifically Perfumes, Oud and Accessories & gifts segment saw a ~100/200/100bps Y/Y improvement in gross margins to 80/39/65% respectively in Q2-25. The aforesaid improvement is mainly due to less ramadan season discount.

Net income is expected to record a 27% Y/Y increase in H2-25 driven by branch expansion and new product offerings; with very limited effect of seasonality expected: Due to expanding retail footprint (4 stores added in Q2-25), new product launches (added more than 7 brands and 15 products since IPO), growing online revenues and improving LFL sales we expect the company to post a 15.0% Y/Y increase in topline in H2-25 to SAR 475mn, and correspondingly earnings are expected to record a normalized increase of 27.0% Y/Y (excluding the SAR 5.7mn non-recurring IPO expense that was incurred in Q4-24). Unlike the first half of the year, there would be almost no effect of the 11-day shift in Islamic calendar on key sales seasons (national day and end of year) in H2-25, as major sale seasons are based on Gregorian dates.

<b>Recommendation</b>	<b>Overweight</b>
<b>Target Price (SAR)</b>	<b>149.4</b>
<b>Upside / (Downside)*</b>	<b>24.3%</b>

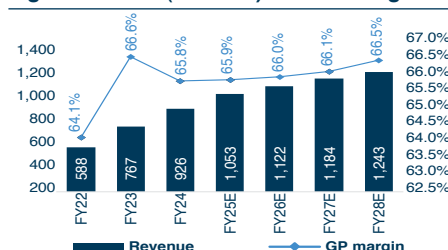
Source: Tadawul \*prices as of 14<sup>th</sup> September 2025

## Key Financials

in SAR mn, (unless specified)	FY23	FY24	FY25E	FY26E
Revenue	767	926	1,053	1,122
Growth %	30.36%	20.73%	13.73%	6.57%
Gross Profit	511	610	694	741
EBIT	160	179	219	236
Net Profit	149	157	198	213
Growth %	18.61%	5.57%	25.89%	7.67%
EPS	6.0	6.3	7.9	8.5
DPS	3.6	5.0	5.4	5.6

Source: Company reports, Aljazira Capital Research

Fig 1: Revenue (SAR mn) and GP Margin



Source: Aljazira Capital Research, Company reports

## Key Ratios

	FY23	FY24	FY25E	FY26E
GP Margin	66.6%	65.8%	65.9%	66.0%
EBIT Margin	20.8%	19.3%	20.8%	21.1%
Net Margin	19.4%	17.0%	18.8%	19.0%
P/E (x)	15.8	23.3	15.3	14.1
P/B (x)	5.5	7.8	5.7	5.0
EV/EBITDA (x)	8.8	12.1	8.6	7.8
Dividend Yield	3.8%	3.4%	4.5%	4.6%

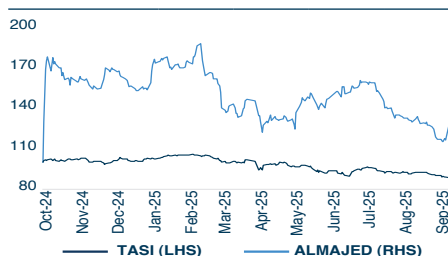
Source: Company reports, Aljazira Capital Research

## Key Market Data

Market Cap (SAR bn)	3.3
YTD%	-25.1%
52 weeks (High)/(Low)	198.8/103.44
Share Outstanding (mn)	25

Source: Company reports, Aljazira Capital Research

## Price Performance



Source: Tadawul, Aljazira Capital Research

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**Low capex intensity, debt free balance sheet and robust cashflow generation to allow healthy stream of dividends, while company further expands its store network:** We expect Al Majed to pay out dividend of SAR 5.35/5.55 per share in 2025/2026, which corresponds to dividend yield of 4.5/4.6%, respectively. Company's low capital intensity (3.8% of 2025e sales), debt free balances sheet and healthy cash generation (2025e CFO 12.9/sh) should enable the company to maintain 50-70% dividend payout and follow its expansion plan, in line with management guidance at the time of initial offering.

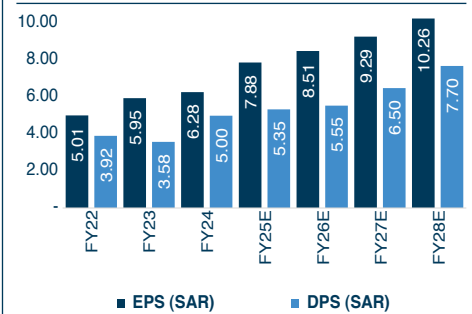
**AJC view and investment thesis:** Al Majed's current downbeat performance will not continue in second half of the year, where company is expected to post normalized earnings growth of 27% Y/Y driven by branch additions, new product launches and higher LFL sales. We expect the company to post sales growth of 13.7% Y/Y in 2025 and deliver sales CAGR of 7.6% over 2024-28. We expect gross margins to improve by 60bps over 2024-28, while we expect operating margin to expand by 351bps over the same period, due to ramping up of new stores. Overall, in this backdrop, we expect the company to post earnings growth of 25.9% in 2025 and a medium term 2024-28 net income CAGR of 12.1%. After the 17.7% YTD price decline, the company trades at a 2025E PE of 15.3x, at which we see sizable room for re-rating.

**Valuation:** We upgrade to **"Overweight"** rating with a target price of **SAR 149.4/share**, implying an upside of 24.3% from last close.

**Downside risk:** Slower than expected ramping up of new stores, larger/prolonged promotional campaigns that might impact GP margins, and increased share of low margin products.

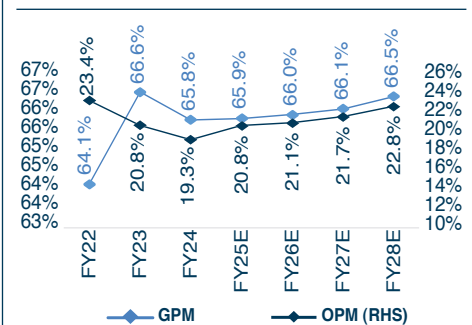
**Upside risk:** Further acquisitions due to debt free balance sheet, increase in payout to the upper end of guidance and faster ramping up of new stores.

Fig 2: EPS and DPS trend



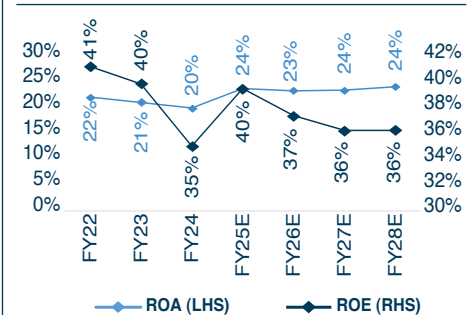
Source: Company reports, AlJazira capital Research

Fig 3: Gross and OPM trend



Source: Company reports, AlJazira capital Research

Fig 4: ROE and ROA



Source: Company reports, AlJazira capital Research





## Key Financial Data

Amount in SARmn, unless otherwise specified	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
<b>Income statement</b>							
Revenues	767	926	1,053	1,122	1,184	1,243	1,297
Y/Y	30.4%	20.7%	13.7%	6.6%	5.54%	4.96%	4.32%
Cost of revenue	(256)	(316)	(359)	(382)	(401)	(417)	(430)
Gross profit	511	610	694	741	783	826	867
GPM	66.6%	65.8%	65.9%	66.0%	66.1%	66.5%	66.8%
SG&A	(351)	(431)	(475)	(504)	(526)	(543)	(556)
EBITDA	266	299	340	367	394	427	461
Y/Y	19.7%	12.2%	13.8%	8.0%	7.6%	8.4%	7.9%
Operating profit	160	179	219	236	257	283	310
Y/Y	15.9%	11.9%	22.5%	8.1%	8.8%	10.2%	9.4%
OPM	20.8%	19.3%	20.8%	21.1%	21.7%	22.8%	23.9%
Financial charges	(12)	(14)	(14)	(13)	(13)	(14)	(14)
Income before zakat	157	166	209	225	245	271	298
Zakat	(8)	(9)	(12)	(12)	(13)	(14)	(16)
Net income	149	157	198	213	232	257	282
Y/Y	18.6%	5.6%	25.9%	7.7%	9.2%	10.5%	9.9%
EPS (SAR)	5.95	6.28	7.88	8.51	9.29	10.26	11.28
DPS (SAR)	3.58	5.00	5.35	5.55	6.50	7.70	8.45
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & equivalent	54	30	79	132	185	235	307
Other current assets	346	385	389	410	429	440	449
Total current assets	400	415	468	542	614	675	756
Property plant & equipment	133	141	146	149	151	152	145
Right of use assets	233	237	252	255	261	267	271
Total assets	772	794	867	947	1,028	1,096	1,174
<b>Liabilities &amp; owners' equity</b>							
Trade payables	24	45	39	41	44	46	48
Other current liabilities	164	123	129	130	134	135	137
Total current liabilities	188	168	167	172	177	181	185
Lease liabilities – non-current	146	143	152	154	159	160	164
Total non-current liabilities	157	158	167	170	175	175	179
Share capital	250	250	250	250	250	250	250
Reserves	177	218	282	356	426	490	560
Total owners' equity	427	468	532	606	676	740	810
Total equity & liabilities	772	794	867	947	1,028	1,096	1,174
<b>Cashflow statement</b>							
Operating activities	169	221	323	338	367	406	440
Investing activities	(59)	(36)	(40)	(43)	(45)	(47)	(43)
Financing activities	(80)	(209)	(233)	(242)	(269)	(309)	(325)
Change in cash	31	(24)	50	53	53	49	72
Ending cash balance	54	30	79	132	185	235	307
<b>Liquidity ratios</b>							
Current ratio (x)	2.1	2.5	2.8	3.2	3.5	3.7	4.1
Quick ratio (x)	1.8	2.3	2.3	2.4	2.4	2.4	2.4
<b>Profitability ratios</b>							
Gross profit margin	66.6%	65.8%	65.9%	66.0%	66.1%	66.5%	66.8%
Operating margin	20.8%	19.3%	20.8%	21.1%	21.7%	22.8%	23.9%
EBITDA margin	34.7%	32.2%	32.2%	32.7%	33.3%	34.4%	35.6%
Net profit margin	19.4%	17.0%	18.8%	19.0%	19.6%	20.7%	21.8%
Return on assets	21.2%	20.1%	23.8%	23.5%	23.5%	24.2%	24.9%
Return on equity	39.9%	35.1%	39.5%	37.4%	36.3%	36.3%	36.4%
<b>Leverage ratio</b>							
Net Debt / equity (x)	(0.02)	(0.06)	(0.15)	(0.22)	(0.27)	(0.32)	(0.38)
<b>Market/valuation ratios</b>							
EV/sales (x)	3.1	3.9	2.8	2.6	2.4	2.2	2.1
EV/EBITDA (x)	8.8	12.1	8.6	7.8	7.2	6.5	5.9
Market-Cap	2,349	3,652	3,015	3,007	3,007	3,007	3,007
P/E ratio (x)	15.8	23.3	15.3	14.1	12.9	11.7	10.7
P/BV ratio (x)	5.5	7.8	5.7	5.0	4.5	4.1	3.7
DY (%)	3.8%	3.4%	4.5%	4.6%	5.4%	6.4%	7.0%

Source: Company reports, Aljazira Capital Research





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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.

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