Al Dawaa Medical Services Co. (Al Dawaa)

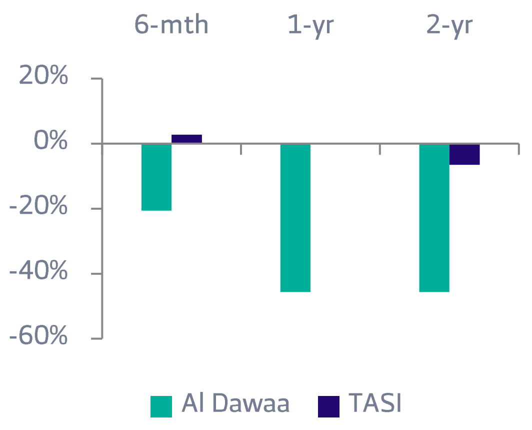
1Q2026 First Look

One-Offs Inflate Net Profit Miss; Higher Opex a Concern

June 11, 2026

Upside to Target Price	4.0%	Rating	Neutral
Expected Dividend Yield	5.8%	Last Price	SAR 43.80
Expected Total Return	9.8%	12-mth target	SAR 45.00

Market Data	
52-week high/low	SAR 80.1 / 43.8
Market Cap	SAR 3,679 mln
Shares Outstanding	85 mln
Free-float	50.4 %
12-month ADTV	159,655
Bloomberg Code	ALDAWAA AB



Al Dawaa	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	1,545	1,665	(7%)	1,683	(8%)	1,729
Gross Profit	550	605	(9%)	585	(6%)	633
Gross Margins	36%	36%		35%		37%
Operating Profit	88	140	(37%)	106	(17%)	155
Net Profit	22	105	(79%)	61	(63%)	117

(All figures are in SAR mln)

- Al Dawaa's 1Q26 confirms the structural thesis behind our Neutral call, and it is not seasonal. We highlight one methodological point up front: our 1Q26 estimates were set on our prior framework before Al Dawaa had even reported 4Q25 (4Q25 was delayed), leaving them stale and on the high side by the time the quarter landed – so the miss-versus-estimates should be read with that context. The cleaner, seasonality-free signal for investors to focus on in these results is the Y/Y trajectory, and it is unambiguous: revenue −7%, operating profit −37%, and net profits −79%.
- Revenue of SAR 1.55 bln and gross profit of SAR 550 mln were both below our forecasts, while EBIT of SAR 88 mln also underperformed our estimate to a greater degree. Net profit of SAR 22 mln missed our SAR 117 mln estimate by a wide margin (~81%), falling −79% Y/Y and −63% Q/Q. However, roughly SAR 25 mln of the 1Q shortfall is one-time, or more aptly characterized as 'front-loaded', specifically the SAR 27 mln government expense (Iqama and work-permit renewals for 93% of non-Saudi staff), of which SAR 20.3 mln pertains to the remaining quarters of 2026 (recognized in 1Q but relating to later periods), so it will not repeat at that magnitude through the year. We also note that a further SAR 5 mln is a non-recurring impairment provision on customer accounts. This implies the normalized 1Q net profit is roughly SAR 47 mln, or about −55% Y/Y, still a deterioration, but short of the headline numbers. The residual decline is structural, a −7% revenue contraction cascading through gross profit, compounded by a 5.8% rise in selling and distribution expenses from the ongoing branch, digital, and logistics build-out. We focus on the 1Q25 Y/Y comparison rather than 4Q25, as any Q/Q moves are distorted by the sector's seasonal 4Q strength.
- After stripping the one-time and front-loaded items above – the underlying −55% normalized earnings decline, while still weak, is less severe than the headline suggests. We note that the −7% drop in sales and the erosion of operating leverage it exposes prevent greater optimism. Quarterly dividends are consistent and as expected, a partial offset to share-price weakness, but insufficient to anchor a constructive thesis, with the yield still below 7% (the level at which forward yield would be more compelling). We reiterate our criteria for revisiting a constructive view: gross and net-margin stabilization, accretive economics from the private-brand sales, and clearer visibility on the long-term margin profile of the growing base. We lower our target price and maintain Neutral.

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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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