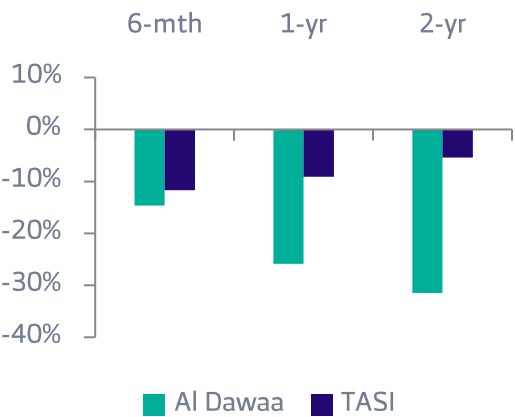


Market Data	
52-week high/low	SAR 98.2 / 65.8
Market Cap	SAR 5,610 mln
Shares Outstanding	85 mln
Free-float	50.4 %
12-month ADTV	122,201
Bloomberg Code	ALDAWAA AB



Retail Continues Dominance, Margins Fall

August 17, 2025

Upside to Target Price	51.5%	Rating	Buy
Expected Dividend Yield	3.8%	Last Price	SAR 66.00
Expected Total Return	55.3%	12-mth target	SAR 100.00

Al Dawaa	2Q2025	2Q2024	Y/Y	1Q2025	Q/Q	RC Estimate
Sales	1,686	1,595	6%	1,665	1%	1,648
Gross Profit	590	570	4%	605	(2%)	593
Gross Margins	35%	36%		36%		36%
Operating Profit	120	134	(11%)	140	(14%)	130
Net Profit	87	96	(10%)	105	(18%)	96

(All figures are in SAR mln)

- Al Dawaa generated revenues of SAR 1.69 bln, which was slightly above our estimate. Gross profit was SAR 590 mln and operating profit was SAR 120 mln (down -11% Y/Y and -14% Q/Q). We highlight the Company’s significantly robust performance in 1Q25 caused some of our estimates to be more optimistic than actual 2Q25 results, such as net profits. Y/Y revenue growth continues to signal the success in Al Dawaa’s growth via store openings and its other segment’s contributions; which increased +23.3% Y/Y. As of 2Q25 end, store count stood at 954; including 922 Community locations, this is up from 938 stores in 1Q25; including 914 Community locations.
- Al Dawaa posted a net profit for the quarter of SAR 87 mln, representing both a decrease Y/Y and Q/Q, of -10% and -18%, respectively. We also note, this deviated from our more optimistic estimates via lower gross margins. The slight improvement in topline financial performance Q/Q was driven by greater store growth, as retail revenues moved up +2.2% Q/Q, while the Logistics & Other revenue category was flat. Management reiterated on their 2Q25 conference call that their focus will be on the logistics division, the healthcare distribution, and as well as leveraging TikTok to boost the Arbahi loyalty program’s reach; which welcomed over 350,000 new guests.
- We believe current dividend payments will be maintained, as we have already observed, with management declaring another SAR 0.63 per share. We also remain confident in management’s strategy to continue to grow and strengthen its House Brands and Omni Channel contributions, which now represent 13.5% and 16%, respectively; which we believe could support margins. With gross margins slipping Q/Q and Y/Y, we lower our target price slightly and maintain our rating.

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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

For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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