Al Dawaa Medical Services Co. (Al Dawaa)

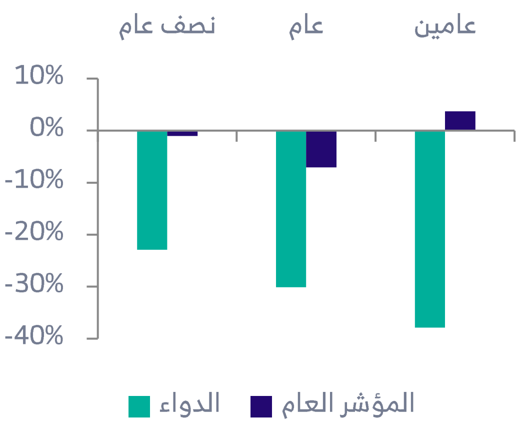
3Q2025 First Look

Growth In Retail Steady, Costs Hit Operating Income

November 10, 2025

Upside to Target Price	60.0%	Rating	Buy
Expected Dividend Yield	4.0%	Last Price	SAR 66.00
Expected Total Return	64.0%	12-mth target	SAR 100.00

Market Data	
52-week high/low	SAR 89.6 / 61.8
Market Cap	SAR 5,313 mln
Shares Outstanding	85 mln
Free-float	50.4 %
12-month ADTV	140,211
Bloomberg Code	ALDAWAA AB



Al Dawaa	3Q2025	3Q2024	Y/Y	2Q2025	Q/Q	RC Estimate
Sales	1,703	1,634	4%	1,686	1%	1,693
Gross Profit	593	564	5%	590	0%	593
Gross Margins	35%	35%		35%		35%
Operating Profit	103	110	(7%)	120	(14%)	118
Net Profit	69	75	(8%)	87	(20%)	85

(All figures are in SAR mln)

- Al Dawaa generated revenues of SAR 1.70 bln, in-line with our estimate of SAR 1.69 bln, while gross profit was SAR 593 mln; our estimate as well. In 3Q25, operating profit was SAR 103 mln, down both -7% Y/Y and -14% Q/Q. We highlight the Company's expenses, related to its retail core expansion this quarter, which pulled operating and net profits lower than our expectations. Y/Y revenue growth continues to signal the success in Al Dawaa's growth via store openings and private brand sales, with retail revenues up +2% Y/Y. As of 3Q25 end, store count stood at 956; including 921 Community locations, this is up from 954 stores in 2Q25; including 922 Community locations. In our view, the increase in net-store openings is a key driver of the retail business.
- Al Dawaa posted a net profit for the quarter of SAR 69 mln, representing both a decrease Y/Y and Q/Q, of -8% and -20%, respectively. Although, this deviated from our estimates via greater operating expenses, which we reiterate, was related to its retail store growth. We also note, that other verticals (non-pharmacy retail) contributed to revenue growth strongly again, moving up +45% Y/Y. Management highlighted the growth drivers of the retail business, specifically House Brands, with a contribution of 14% and Omni-channel contributing roughly 17%. We speculate that these two revenue streams in particular are supporting margin stability.
- We believe current dividend payments will be maintained, but given the competition level in the Company's core retail market, growth could slow next year. With gross margins maintained in the face of competition, we maintain our rating and target price.

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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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