Al Dawaa Medical Services Co. (Al Dawaa) 2Q2026 First Look

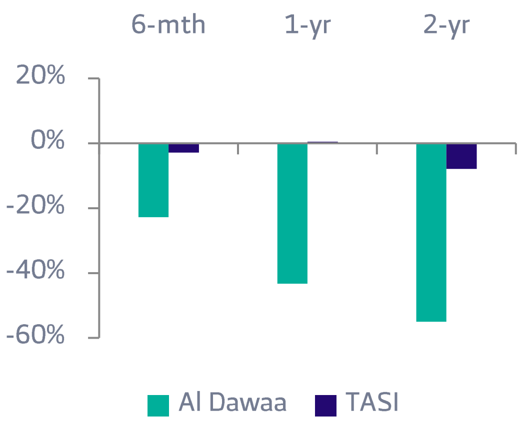
Distribution Segment Doubles, Consolidated Margins Slide Further

August 11, 2026

Upside to Target Price	5.3%
Expected Dividend Yield	6.6%
Expected Total Return	11.9%

Rating	Neutral
Last Price	SAR 38.00
12-mth target	SAR 40.00

Market Data	
52-week high/low	SAR 68.9 / 37.5
Market Cap	SAR 3,230 mln
Shares Outstanding	85 mln
Free-float	50.4%
12-month ADTV	166,294
Bloomberg Code	ALDAWAA AB



Al Dawaa	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	1,636	1,686	(3%)	1,545	6%	1,538
Gross Profit	547	590	(7%)	550	(1%)	547
Gross Margins	33%	35%		36%		36%
Operating Profit	72	120	(40%)	56	30%	83
Net Profit	30	87	(65%)	22	36%	48

(All figures are in SAR mln)

- Al Dawaa reported 2Q26 sales of SAR 1.64 bln (-3% Y/Y, +6% Q/Q), modestly above our SAR 1.54 bln estimate, and gross profit of SAR 547 mln (-7% Y/Y, -1% Q/Q), identical to our forecast. The 2Q26 results mix was weaker than topline results imply, with consolidated gross margin falling to 33% (versus 36% in 1Q26 and 35% in 2Q25) as Distribution (+131% Y/Y) and Logistics (+30% Y/Y) likely diluted the blend, despite management reporting Retail gross margins held at 36.1% in 1H26. Operating profit of SAR 72 mln (-40% Y/Y) and net profit of SAR 30 mln (-65% Y/Y) fell short of our SAR 83 mln and SAR 48 mln estimates.
- The +36% Q/Q net profit rebound is a base effect, in our view: 1Q26 absorbed ~SAR 25 mln of one-off and front-loaded items (the SAR 20 mln work-permit charge relating to later 2026 quarters and a SAR 5 mln receivables impairment), which we normalized to ~SAR 47 mln of underlying 1Q profit at the time. Against that base, 2Q26's SAR 30 mln sits almost one third lower, with ~SAR 7 mln of the front-loaded fees economically belonging to 2Q. The Y/Y drop is consistent with the Wasfaty base effect we flagged in our preview: 2Q25 and 3Q25 still carried the full Wasfaty volumes, so the Y/Y comparison is at its hardest through 3Q26 and only 'normalizes' in 4Q26. The resilient Retail margin reflects the shedding of that low-margin volume. We also note that the quarterly dividend, if unchanged at SAR 0.63/share across its last five declarations, represents ~1.8x 2Q26 net profit.
- We trim our target price and maintain our Neutral rating, because of the lower earnings base. None of the criteria we set out in our 4Q25 note for revisiting a constructive view has been met: (1) gross and net margins have not stabilized (consolidated gross margin down Q/Q); (2) evidence of accretive store economics from the private-brand, multi-channel etc. appear uncertain; and (3) management communication on the long-term margin profile of the expanded base is still limited, with interim financials pending.

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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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