Al Dawaa Medical Services Co. (Al Dawaa)

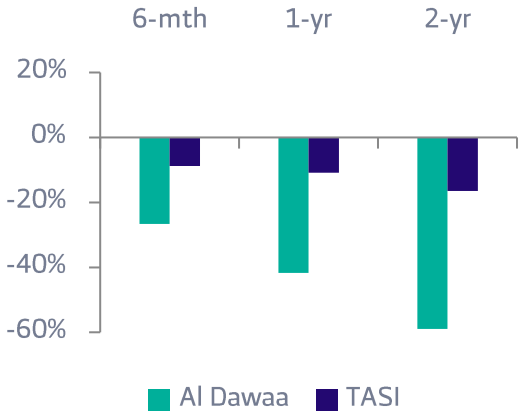
3Q2026 First Look

Margins Move Higher, Dividend Held; Base Normalizes from 4Q26

November 5, 2026

Upside to Target Price	7.0%	Rating	Neutral
Expected Dividend Yield	6.7%	Last Price	SAR 37.40
Expected Total Return	13.7%	12-mth target	SAR 40.00

Market Data	
52-week high/low	SAR 63.9 / 33.0
Market Cap	SAR 3,179 mln
Shares Outstanding	85 mln
Free-float	50.4%
12-month ADTV	140,560
Bloomberg Code	ALDAWAA AB



Al Dawaa	3Q2026	3Q2025	Y/Y	2Q2026	Q/Q	RC Estimate
Sales	1,633	1,703	(4%)	1,636	0%	1,640
Gross Profit	565	593	(5%)	547	3%	548
Gross Margins	35%	35%		33%		33%
Operating Profit	87	103	(15%)	72	20%	69
Net Profit	48	69	(31%)	30	58%	32

(All figures are in SAR mln)

- Al Dawaa reported 3Q26 sales of SAR 1.63 bln (-4% Y/Y, flat Q/Q), in line with our SAR 1.64 bln estimate, and gross profit of SAR 565 mln (-5% Y/Y, +3% Q/Q), slightly above our SAR 548 mln, as consolidated gross margin recovered to 34.6% from 33.4% in 2Q26 and against the 33.4% we carried forward. Retail gross margin held at 36%; the improvement came from mix, as Distribution growth slowed to +21% Y/Y from +131% in 2Q26 and diluted the blend less. Operating profit of SAR 87 mln (-15% Y/Y, +20% Q/Q) and net profit of SAR 48 mln (-31% Y/Y, +58% Q/Q) were above our SAR 69 mln and SAR 32 mln estimates. The beat is driven entirely by gross margin: operating expenses were 28.4% of sales, from 28.8% in 2Q26, and the charges below the operating line landed on our numbers.
- The Y/Y decline remains the Wasfaty base effect we flagged in our preview: 3Q25 still carried the full Wasfaty volumes, so this was the last quarter of maximum drag, and the comparison normalizes from 4Q26. Retail revenue rose to SAR 1,417 mln from SAR 1,401 mln in 2Q26, while the group booked an expected credit loss provision of SAR 24 mln during 9M26. For 9M26, net profit was SAR 100 mln (-62% Y/Y) on revenue of SAR 4.81 bln (-5% Y/Y), with the operating expense base roughly flat at SAR 1.42 bln. The board also maintained the quarterly dividend at SAR 0.63 per share, about 1.1x the quarter's net profit.
- We maintain our target price and our Neutral rating; with the shares offering an expected total return of +13.7%, of which 6.7% is dividend yield, we see no case to change our rating on a single quarter of margin recovery. Of the three criteria we set in our 4Q25 note, the first, gross and net margin stabilization over two or more consecutive quarters, now has its first quarter: gross margin rose +119 bps Q/Q and net margin to 2.9% from 1.8%; a repeat in 4Q26, on a normalized base, would meet it. The second, accretive store economics from the private-brand and multi-channel build, remains undemonstrated in the results disclosure, and the third, management communication on the long-term margin profile, remains limited in the release. We will revisit our estimates with the financial statements.

Brennan Eatough
brennan.eatough@riyadcapital.com
+966-11-203-6808

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Disclaimer

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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