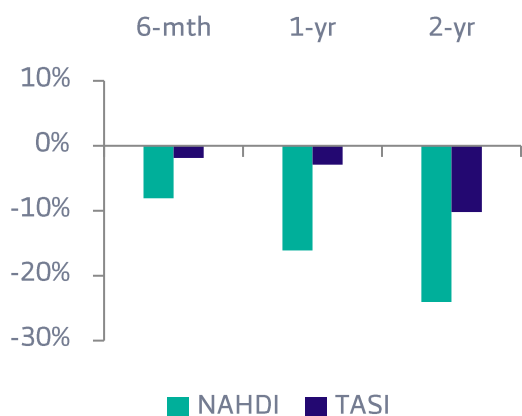


Market Data	
52-week high/low	SAR 132.1 / 91.0
Market Cap	SAR 12,799 mln
Shares Outstanding	130 mln
Free-float	30%
12-month ADTV	237,452
Bloomberg Code	NAHDI AB



Quality at Fair Value; Downgrade to Neutral

May 14, 2026

Upside to Target Price	6.7%	Rating	Neutral
Expected Dividend Yield	5.7%	Last Price	SAR 98.45
Expected Total Return	12.4%	12-mth target	SAR 105.00

NAHDI	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	2,794	2,635	6%	2,589	8%	2,730
Gross Profit	988	944	5%	955	3%	1,000
Gross Margins	35%	36%		37%		37%
Operating Profit	260	270	(4%)	208	25%	220
Net Profit	236	255	(8%)	176	34%	196

(All figures are in SAR mln)

- NAHDI delivered 1Q26 revenue of SAR 2.79 bln (+6% Y/Y, +8% Q/Q) and gross profit of SAR 988 mln (+5% Y/Y, +3% Q/Q), both broadly in line with our estimates of SAR 2.73 bln and SAR 1.0 bln, respectively. Operating income came in at SAR 260 mln (-4% Y/Y, +25% Q/Q) and net profit at SAR 236 mln (-8% Y/Y, +34% Q/Q). The headline reads as a tale of two stories: on one side, gross margin shed ~47 bps Y/Y and softened Q/Q to 35%, indicating ongoing competitive pressure at the retail level. While the other side of the story is durable cash flow generation, which tells a more constructive story than the margin line alone suggests.
- While 1Q26 results were solid, our deeper review of NAHDI's cash flow across FY22-FY25 leads us to a more measured view. Pre-working-capital operating cash flow has grown modestly (+6% over four years), but this has been more than offset by a step-up in capital intensity, with capex rising from SAR 250 mln in FY22 to SAR 387 mln in FY25 (+55%). The result is that operating free cash flow before working capital, has been stable at SAR 1,300-1,500 mln annually – strong on an absolute basis, but not exhibiting the growth trajectory that would justify multiple expansion. Normalized FCF averages around SAR 971 mln annually on a 3-year basis, placing the stock on ~12x EV/FCFF – fair value for a defensive, cash-generative business with a strong balance sheet, but this does not justify outperformance from here.
- We lower our 12-month target price to SAR 105.00 and downgrade our recommendation to Neutral. This reflects a recalibration of our expectations to align with the multi-year FCF reality, not a fundamental change in our view of NAHDI as a high-quality market leader with durable cash generation. We continue to distinguish NAHDI from peer Al Dawaa, whose balance sheet flexibility is materially weaker, and also note that NAHDI remains best-positioned for any sector consolidation. We would revisit a more constructive view based on several factors: (1) evidence that the recent capex step-up is generating incremental FCF rather than just maintaining the existing footprint, (2) gross margin stabilization over two or more consecutive quarters, or (3) a material derating in the share price that lowers cash flow related multiples below 10x, creating a wider margin to our intrinsic value estimate.

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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

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