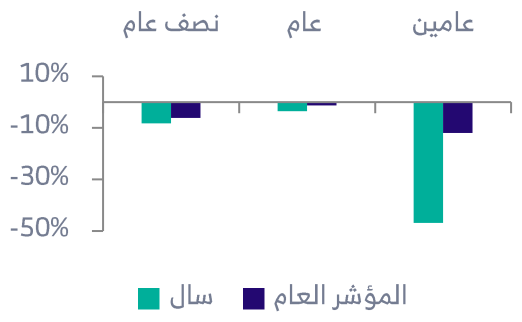
Strong Quarter Prompts TP Upgrade

July 30, 2026

Upside to Target Price	1.2%	Rating	Neutral
Expected Dividend Yield	3.9%	Last Price	SAR 173.00
Expected Total Return	5.0%	12-mth target	SAR 175.00

Market Data	
52-week high/low	SAR 186.0/148.2
Market Cap	SAR 13,240 mln
Shares Outstanding	80.0 mln
Free-float	44.59%
12-month ADTV	160,058
Bloomberg Code	SAL AB



SAL	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	512	394	30%	446	15%	469
Gross Profit	299	224	34%	245	22%	272
Gross Margins	58%	57%		55%		58%
Operating Profit	213	172	24%	171	25%	184
Net Profit	191	162	18%	157	22%	174

(All figures are in SAR mln)

- SAL delivered a strong quarter, with revenue rising to SAR 512 mln (+30% Y/Y, +15% Q/Q), ahead of our estimate of SAR 469 mln. The earnings beat was primarily driven by stronger-than-expected performance in the Ground Handling segment, where revenue reached SAR 438 mln (+29% Y/Y, +14% Q/Q), ahead of our forecast of SAR 400 mln, despite handled volumes of 239 mln KG (+9% Y/Y, flat Q/Q), broadly in line with our estimate of 244 mln KG. Based on our calculations, blended revenue/ton increased to SAR 1.83, well above our estimate of SAR 1.64 (vs. SAR 1.61 in 1Q26), reflecting the full annualization of the pricing adjustments implemented in late 2025. This highlights that stronger pricing and an improved service mix continued the key drivers of revenue performance.
- The Logistics segment also outperformed, with revenue increasing to SAR 74 mln (+35% Y/Y, +20% Q/Q), compared with our estimate of SAR 69 mln, driven by stronger warehouse utilization, improved commercial execution, expanding contract logistics activity and stronger road feeder services activity, while its operating loss narrowed significantly to SAR 2.0 mln from SAR 13 mln in 1Q26.
- The stronger revenue mix translated into better-than-expected profitability, with gross profit increasing to SAR 299 mln (+34% Y/Y, +22% Q/Q), exceeding our estimate of SAR 272 mln, gross margin expanded to 58.4% (vs. 56.9% in 2Q25 and 54.9% in 1Q26) and was broadly in line with our estimate of 58.0%. EBIT reached SAR 213 mln (+24% Y/Y, +25% Q/Q), beating our estimate of SAR 184 mln. Although the EBIT margin declined 214 bps Y/Y to 41.6%, reflecting higher logistics-related variable costs, continued investment in service capabilities and strategic development expenses, although it improved by 327 bps Q/Q.
- Net profit came in at SAR 191 mln (+18% Y/Y, +22% Q/Q), ahead of both our estimate and consensus of SAR 174 mln and SAR 171 mln, respectively. The earnings beat was primarily driven by stronger-than-expected revenue and gross profit, alongside a better contribution from the logistics division. The net profit margin stood at 37.4%, down 381 bps Y/Y but improving by 224 bps Q/Q, and was broadly in line with our estimate of 37.1%. The Y/Y increase in earnings also benefited from lower expected credit-loss provisions and transaction-related expenses, partially offset by higher financing costs. The company also announced a 2Q26 cash dividend of SAR 1.79 per share (vs. 1Q26 DPS of SAR 1.46), reinforcing management's confidence in the underlying cash generation despite the ongoing investment program.
- Following the stronger-than-expected results, we raise our target price to SAR 175.00 (from SAR 166.00) while maintaining our Neutral 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

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