



Aldawaa Medical Services Co.

Earnings miss estimates on margin pressure; Neutral rating maintained

Rating: Neutral | Target Price: SAR 72.8

November 9, 2025

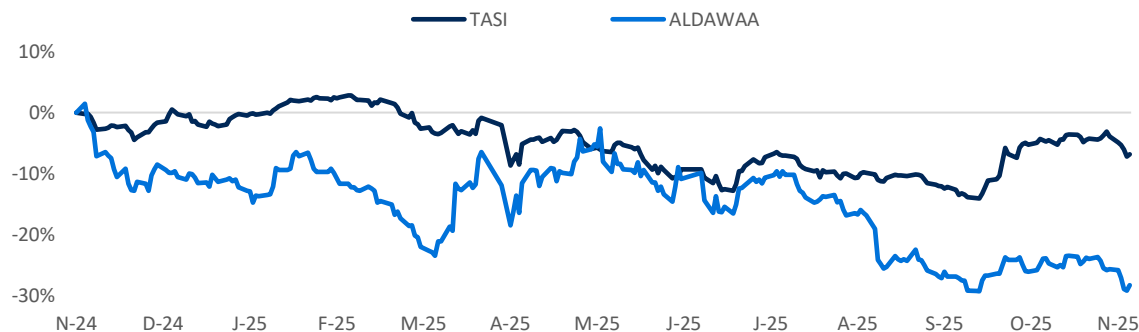
Market Data		Valuations	2024A	2025E	2026E	2027E
Last Price (SAR)*	63.4	Net Income (SAR mn)	370	396	436	487
Target Price (SAR)	72.8	EPS (SAR)	4.4	4.7	5.1	5.7
Upside / Downside (%)	14.9%	PER (x)	14.5	13.6	12.4	11.1
Market Cap (bn) (SAR/USD)	5/1	P/BV (x)	3.7	3.3	3.0	2.7
52 week High / Low (SAR)	90/62	DPS (SAR)	2.5	2.7	3.0	3.3
12-month ADTV (mn) (SAR/USD)	10/3	Div. Yield (%)	4.0%	4.3%	4.7%	5.2%
YTD Return (%)	-19%	RoAE (%)	26.7	25.8	25.5	25.6
Bloomberg Code	ALDAWAA AB	RoAA (%)	7.6	7.3	7.3	7.8

*last price as of 6th November 2025

Financials (SAR mn)	3Q25A	3Q25E*	Var (%)	3Q24A	YoY (%)	2Q25A	QoQ (%)
Revenue	1,703	1,759	-3.2	1,634	4.2	1,686	1.0
COGS	(1,110)	(1,147)	-3.2	(1,070)	3.8	(1,095)	1.4
Gross profit	593	613	-3.3	564	5.0	590	0.3
Gross margin (%)	35	35		35		35	
OPEX	(489)	(480)	1.9	(454)	7.8	(471)	4.0
Operating profit	103	132	-22.1	110	-6.5	120	-13.9
Operating margin (%)	6	8		7		7	
Net income	69	100	-31.2	75	-8.0	87	-20.2
Net margin (%)	4	6		5		5	
EPS	0.81	1.18	-31.2	0.88	4.4	1.02	-20.2

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Aldawaa posted a net profit of SAR 69.1 mn in 3Q25, down 8.0% YoY and 20.2% QoQ, and coming in below both consensus and anbc estimates. Revenues rose 4.2% YoY to SAR 1.7 bn, driven by steady retail growth and strong performance in non-retail verticals, though slightly below our estimate by 3%. Gross margins remained stable at 34.8%, in line with our expectations, while operating margins fell to 6.1% (vs. our estimate of 7.5%) due to operating expenses being 2% higher than expected. We maintain our Neutral rating as retail expansion-led growth appears largely priced in, with limited upside, while we also highlight Nahdi's entry into Wasfaty as a key risk amid Aldawaa's declining market share within the program (70% in 2024 vs. 56% currently).

- Revenues rose 4.2% YoY to SAR 1.7 bn in 3Q25, driven by healthy growth in the retail segment and accelerating growth in non-retail verticals (logistics and distribution), sustaining topline growth momentum. Sequentially, revenue remained broadly stable (+1.0% QoQ) and came in 3% below our estimate. Cumulatively, 9M25 revenues stood at SAR 5.1 bn, up 6.3% YoY, which is at the lower end of the company's 6-8% topline growth guidance for 2025.
- The Pharmacy Retail segment grew 4.5% YoY in 9M25. The Arbahi loyalty program expanded by 450k members in 3Q25, bringing the total base to nearly 11 mn. House brands contributed 14.3% to sales in 9M25, up from 11.7% in 9M24, while omnichannel contribution rose to 16.8% from 15.7% in 9M24.
- Other verticals recorded solid growth of 37.5% in 9M25. In 3Q25, non-retail revenues rose 44.7% YoY, supported by strong performance across the Distribution and Logistics segments. Growth in the Distribution segment was further aided by new distribution agreements with renowned brands.
- Aldawaa's retail footprint reached 956 stores in 9M25, with 32 net additions during the period. The company had shared an initial target of 50 net new pharmacies in 2025e, marking its second-largest annual expansion since 2019. Store openings slowed in 3Q25 with only 2 net additions versus 30 in 1H25, a trend similar to last year. However, the management has reiterated its guidance of 50 net new openings in 2025.
- Gross margins remained stable YoY and QoQ at 34.8%, in line with our expectations. However, operating margins declined 69 bps YoY and 105 bps QoQ to 6.1%, below our estimate of 7.5%, as operating expenses were 2% higher than expected. Consequently, net income declined 8% YoY and 20% QoQ, missing our estimate by 31%.
- Although the addition of 32 net pharmacies in 9M25 and the 44.7% year-on-year growth in non-retail verticals are positive developments, we consider Nahdi's entry into Wasfaty to represent a significant competitive risk that could potentially weigh on Aldawaa's stock's performance. Aldawaa's market share in Wasfaty had already declined to 56% in 2025 from 70% in 2024, and increased competition could further pressure growth. We continue to maintain a Neutral stance on Aldawaa and may update our investment view on the stock once detailed 3Q25 financials are released.

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