CATRION Co.

November 3, 2026

Aviation weakness halves earnings despite strong topline.

Last Price: SAR 53.8 | YoY Performance: -44.0%

3Q26 FIRST TAKE

KEY TAKEAWAYS

- CATRION posted 3Q26 net profit of SAR 43.1 mn (EPS: SAR 0.53), down 55.6% YoY and 9.4% QoQ. The result came well below our SAR 68.8 mn estimate, mainly on a weaker-than-expected gross margin as regional disruptions continued to weigh on higher margin aviation volumes.
- Revenue reached SAR 740.3mn in 3Q26, up 19.9% YoY and 7.6% QoQ, broadly in line with our estimate of SAR 728.5mn (+1.6%). The strong YoY growth was driven by non-aviation revenue streams, including the Red Sea Project, business lounges, healthcare services, and the consolidation of Al Khalejiah Catering from Mar-26, partly offset by weaker aviation revenue. On a QoQ basis, growth was supported by higher aviation and business lounge revenue.
- Gross profit recorded at SAR 171.7 mn, down 4.4% YoY. Gross margin contracted to 23.2% from 29.1% in 3Q25 and 24.4% in 2Q26, below our 25.8% estimate, as cost of revenue rose 29.9% YoY to SAR 568.5 mn amid fewer flights, meals and passengers in the aviation segment.
- Operating profit declined 29.2% YoY to SAR 76.6mn in 3Q26, as operating expenses surged 33.4% YoY to SAR 95.1mn. Consequently, the operating margin compressed to 10.4%, down from 17.5% in 3Q25 and 11.2% in 2Q26.
- Margin pressure across both the gross and operating levels, coupled with higher financing costs and a larger share of associate losses, weighed on earnings, driving net profit down to SAR 43.1mn in 3Q26 from SAR 97.0mn in 3Q25 and SAR 47.6mn in 2Q26. As a result, the net margin contracted further to 5.8%, versus 15.7% a year ago and 6.9% in the previous quarter.
- For 9M26, net profit fell 27.9% YoY to SAR 171.1 mn, while revenue grew 17.7% to SAR 2,092.5 mn.
- Non-aviation, led by the Red Sea Project and Al Khalejiah, remains the key growth driver, while the aviation segment stays the key metric to monitor given ongoing regional disruptions to flight and meal volumes according to management.
- Based on our last update, we maintain an 'Overweight' stance on the stock, with a target price of SAR 88.0/share. The stock is currently trading at a 2027f P/E and P/B of 13.4x and 2.5x, respectively.

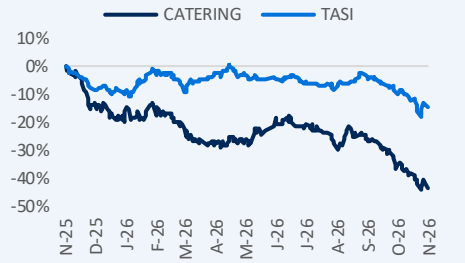
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Issuer Information

Bloomberg Code	CATERING AB
Last Price (SAR)	53.8
No of Shares (mn)	82.0
Market Cap bn (SAR/USD)	4.4 / 1.2
52-week High / Low (SAR)	96.0 / 53.6
12-month ADTV (mn) (SAR/USD)	14.4 / 3.8
Free Float (%)	64.3
Foreign Holdings (%)	6.2

Last price as of November 01, 2026

Relative Price Performance



Source: Bloomberg, anbc research

Financials (SAR mn)	3Q26A	3Q26E*	Var (%)	3Q25A	YoY (%)	2Q26A	QoQ (%)
Revenue	740	728	1.6	617	19.9	688	7.6
Cost of Revenues (COGS)	(569)	(540)	5.2	(438)	29.9	(521)	9.2
Gross Profit	172	188	(8.8)	180	(4.4)	168	2.5
Gross Margin (%)	***23.2%***	***25.8%***		***29.1%***		***24.4%***	
Operating Expenses	(95)	(90)	5.6	(71)	33.4	(91)	5.0
Operating Profit	77	98	(22.0)	108	(29.2)	77	(0.5)
Operating Margin (%)	***10.4%***	***13.5%***		***17.5%***		***11.2%***	
Net Income	43	69	(37.4)	97	(55.6)	48	(9.4)
Net Margin (%)	***5.8%***	***9.4%***		***15.7%***		***6.9%***	
EPS (SAR)	0.53	0.84		1.18		0.58	

**anbc estimate*
Source: Company Financials, anbc research

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Expected return is more than +15%	Expected return is between +15% & -10%	Expected return is lower than -10%

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