Saudi Logistics Services Co.

Volume normalization resulted in a YoY decline in 1Q25 earnings – Maintain Neutral

Rating: Neutral | 12M Target Price: SR192.4

May 18, 2025

Market Data	
Last Price (SR)*	179
Target Price (SR)	192.4
Upside / Downside (%)	8%
Market Cap (bn) (SR/USD)	14/4
52 week High / Low (SR)	328.0/163.6
12-month ADTV (mn) (SR/USD)	72/19
YTD Return (%)	-29%
Bloomberg Code	SAL AB

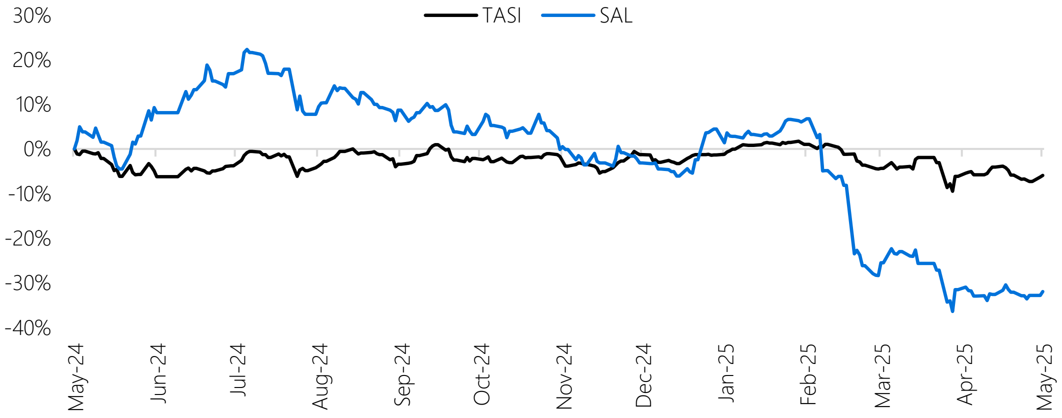
**last price as of 15 May 2025*

Valuations	2024A	2025f	2026f	2027f
Net Income (SRmn)	661	668	716	753
EPS (SR)	8.3	8.3	9.0	9.4
PER (x)	21.6	21.4	20.0	19.0
P/BV (x)	10.2	9.1	8.2	7.4
DPS (SR)	6.0	6.3	6.7	7.1
Div. Yield (%)	3.4	3.5	3.8	4.0
RoAE (%)	50.2	44.9	43.2	40.9
RoAA (%)	20.3	18.2	16.0	14.2

Financials (SR mn)	1Q25A	1Q25E*	Var (%)	1Q24A	YoY (%)	4Q24A	QoQ (%)
Revenue	384	388	-1.1	453	-15.1	409	-6.0
COGS	170	175	-2.8	192	-11.3	185	-8.3
Gross profit	214	214	0.2	261	-17.9	223	-4.1
Gross margin (%)	*56*	*55*	0.8	*58*	*-1.9*	*55*	*1.1*
OPEX	49	61	-18.7	33	48.4	69	-28.3
Operating profit	165	153	7.7	228	-27.6	155	6.6
Operating margin (%)	*43*	*39*	3.5	*50*	*-7.4*	*38*	*5.1*
Net income	153	145	5.5	208	-26.6	142	7.8
Net margin (%)	*40*	*37*	*2.5*	*46*	*-6.2*	*35*	*5.1*
EPS	***1.91***	***1.81***	5.5	***2.61***	*-26.6*	***1.78***	*7.8*
DPS	1.4	1.4		1.8		1.3	

**anbc estimates*

Price Performance



Source: Tadawul, Bloomberg and anbc research

Saudi Logistics Services Co. (SAL AB) reported a net profit of SR 153.1 mn (EPS: SR 1.91) in 1Q25, down 26.6% YoY and up 7.8% QoQ. The results were broadly in line with our estimates. Profitability declined mainly due to a decrease in cargo handling revenue and a higher provision for an expected loss in logistic segment. The board announced the distribution of a cash dividend per share of SAR 1.43.

- Revenue decreased by 15.1% YoY (-6.0% QoQ) to SAR 384.1 mn in 1Q25, compared to SAR 452.5 mn in 1Q24 and SAR 408.7 mn in 4Q24. The decline in revenue was largely driven by a decrease in volumes handled and a timing difference in project activity within the Logistics division. The company handled 242,000 tons of volume in 1Q25, compared to 256,000 tons in 1Q24, registering a decline of 5.5% YoY. The drop in volumes is partially attributed to a high base in 1Q24, when volumes peaked due to exceptional growth driven by strong demand for air cargo amid disruptions in maritime cargo.
- The company registered a gross profit of SAR 214.2 mn in 1Q25, down by 17.9% YoY (-4.1% QoQ). The gross margin declined to 55.8% in 1Q25, compared to 57.7% in 1Q24. On a sequential basis, the gross margin improved by 1.1 percentage points.
- Operating expenses increased by 48.4% YoY to SAR 49.2 mn in 1Q25, compared to SAR 33.1 mn in the corresponding period last year. The increase in Opex was due to a one-off provisioning in the Logistics division, on account of proactive approach to credit risk management.
- Operating profit decreased by 27.6% YoY to SAR 165.0 mn in 1Q25, compared to SAR 227.8 mn in 1Q24. The operating margin dropped by 7.4 percentage points to 43.0% in 1Q25, down from 50.3% in 1Q24. The sharp decline in margin was driven by an increase in Opex. On a sequential basis, the operating margin improved by 5.1 percentage points, due to operational efficiency, the accounting of temporary credit provisioning, and positive one-offs.
- The company announced a dividend per share of SAR 1.43 for 1Q25, translating into payout ratio of 75%.
- *Normalization in volumes was already anticipated by market participants, as movement disruptions in maritime cargo have eased. Volume handled declined by 5.5% YoY in 1Q25 to 242,000 tons, compared to 256,000 tons in 1Q24. However, the expanding e-commerce market and improving economic activity are expected to support the growth of the air cargo market, and SAL is well-positioned to capitalize on this trend, being the market leader. That said, the risk related to competition—due to which SAL lost 3% of its market share in 2024—will persist. Additionally, the development of the logistics zone will keep cash flows under pressure.*

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