Saudi Logistics Services Co. (SAL)

29 April, 2025

Growth Prospects Balanced by Competitive Risks

INITIATION OF COVERAGE

We initiate coverage on Saudi Logistic Services Co. (SAL) with a 'Neutral' rating and a Dec-25 target price of SAR192.4/sh. Holding a dominant 92% market share in 2024, SAL is poised to capitalize from increasing air cargo volumes, which we project to grow at a six-year CAGR of 13.0%, reaching 2.2 mn tons by 2030f. This growth is driven by robust macroeconomic activity, including non-oil real GDP growth projected to average 4.1% during 2025–2030f, high e-commerce penetration, and Saudi Arabia's strategic goal to become a global transportation and logistics hub. The Kingdom aims to boost air cargo volumes to 4.5 mn tons by 2030f, a significant leap from 1.1 mn tons in 2024.

Strong macroeconomic activity to support air cargo market: We believe that Saudi Arabia's air cargo market will expand due to its rising population, economic activity, and favorable demographics, as it is positively correlated with economic growth. We anticipate KSA's non-oil GDP will grow at an average rate of 4.1% from 2025 to 2030f, which will increase economic activity and, consequently, air cargo volumes.

Growing e-commerce market to become key catalyst: The e-commerce market is expected to grow by 21.8% annually, reaching over SAR 923bn by 2030f. The robust growth is expected to drive from organic evolution towards online shopping, population growth, and higher GDP per capita. We believe that e-commerce expansion will increase demand for the cargo business to deliver orders across borders quickly, aiming to improve customer experience.

Initiatives to make Saudi Arabia global transportation hub: Saudi Arabia aims to reach 4.5mn tons of air cargo by 2030f, supported by the National Industrial Development and Logistic Program (NIDLP) and the National Transportation and Logistic Strategy (NTLS). These programs, aimed at improving logistic infrastructure and trade facilitation, will increase air cargo volume, enabling SAL to capitalize on it. However, we estimate that air cargo volume will increase by 13.0% annually, reaching 2.2mn tons by 2030, which is conservative to the General Authority of Civil Aviation (GACA)'s projection.

SAL to incur capex of SAR 4.0bn on logistic zone: The company recently announced to invest SAR4.0bn in the Logistics Zone project, which will expand SAL's operations. Based on details, the development will result in additional capex of SAR 4.0bn over the next 5-6 years, a one-time cost of SAR25mn upon signing the final agreement (expected in 2025), and a lease rate of SAR16.0/sqm, increasing by 1.5% annually. We estimate that the project will turn FCFF negative from 2025–28f, reduce earnings by SAR 25mn in 2025, and create an additional negative impact of SAR 25mn from lease costs once the lease begins. As a result, we believe the project will negatively impact valuation during our forecast period.

Risks: Growing competition and tariff headwinds: The favorable dynamics of the sector are expected to draw increased competition, with established international players like Singapore Airport Terminal Services (SATS) already managing cargo terminals at the airports in Dammam and Riyadh. Additionally, recent wave of tariffs and counter tariffs appear likely to disrupt international trade volumes, representing a downside risk to our estimates.

RATING SUMMARY	Neutral
Target Price (SR)	192.4
Upside/Downside	3.9%
Div. Yield (%)	3.4%
Total Exp. Return	7.3%

ISSUER INFORMATION	
Bloomberg Code	SAL AB
Last Price (SR)	185
No of Shares (mn)	80
Market Cap bn (SR/USD)	14.8/4.0
52-week High / Low (SR)	328.0/163.6
12-month ADTV (mn) (SR/USD)	78.6/21.0
Free Float (%)	30%
Foreign Holdings (%)	6.0%

Last price as of 29th April 2025

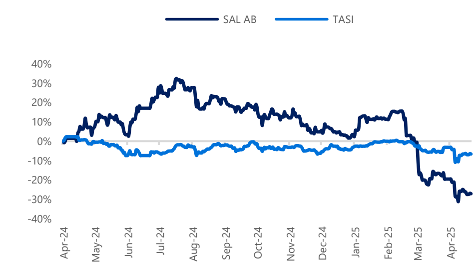
VALUATIONS

	2024a	2025f	2026f	2027f
EPS (SR)	8.3	8.3	9.0	9.4
PER (x)	22.4	22.2	20.7	19.7
PBV (x)	10.6	9.4	8.5	7.7
DPS (SR)	6.0	6.3	6.7	7.1
Div. Yield (%)	3.2	3.4	3.6	3.8
RoAE (%)	50	45	43	41
RoAA (%)	20.3	18.2	16.0	14.2

FINANCIALS (SR MN)

	2024a	2025f	2026f	2027f
Revenue	1,634	1,819	2,022	2,249
Gross profit	915	973	1,065	1,143
EBITDA	810	854	997	1,132
Net Income	661	668	716	753
EPS	8.3	8.3	9.0	9.4
DPS	6.0	6.3	6.7	7.1

PRICE PERFORMANCE – SAL vs. TASI



Source: Bloomberg

Abdulelah M. Alotaibi
Analyst - Sell-Side Research
Abdulelah.Alotaibi@anbcapital.com.sa
+966 11 4062500 Ext. 8851

Table of Contents:

Key Ratios 3
SAL to capitalize on growing air cargo volume 4
Air cargo is projected to increase to 2.2mn tons by 2030f. 4
Expanding populations to drive higher air cargo demand. 5
Accelerated adoption of E-commerce to drive demand of air cargo infrastructure 5
SAL to develop logistic zone. 7
SAL's market share declines to 92% and average revenue drop to SAR 1.4/kg in 2024 8
Global entrant: Singapore Airport Terminal Services Limited (SATS) 9
Valuations: 10
Key Risks 11
Financial Summary: 12
Sector Analysis 14
Company Overview 18
Disclaimer 22
Contact 23

Key Ratios

Valuation	2021a	2022a	2023a	2024a	2025f	2026f	2027f	2028f	2029f	2030f
EPS	3.4	4.5	6.4	8.3	8.3	9.0	9.4	9.6	10.0	11.1
DPS	-	-	3.4	6.0	6.3	6.7	7.1	7.2	7.5	8.3
BVPS	12.0	13.4	15.4	17.5	19.6	21.9	24.2	26.6	29.1	31.9
PE (x)	53.8	40.9	29.1	22.4	22.2	20.7	19.7	19.4	18.5	16.6
Div Yield	-	-	1.8%	3.2%	3.4%	3.6%	3.8%	3.9%	4.1%	4.5%
PBV (x)	15.4	13.8	12.0	10.6	9.4	8.5	7.7	7.0	6.4	5.8
EV/sales (x)	15.1	11.8	9.8	8.6	8.2	7.8	7.4	6.9	6.5	5.8
Price/sales (x)	15.4	12.1	10.2	9.1	8.1	7.3	6.6	5.9	5.3	4.8
EV/EBITDA (x)	34.0	27.3	20.0	17.4	17.5	15.8	14.6	13.8	12.8	11.2

Margins	2021a	2022a	2023a	2024a	2025f	2026f	2027f	2028f	2029f	2030f
Gross Margin	51%	48%	53%	56%	54%	53%	51%	48%	47%	47%
EBITDA Margin	45%	43%	49%	50%	47%	49%	50%	50%	51%	51%
Operating Margin	33%	34%	40%	43%	40%	39%	38%	36%	35%	35%
Pretax Margin	29%	30%	38%	43%	39%	37%	35%	31%	29%	29%
Net Margin	29%	30%	35%	40%	37%	35%	33%	31%	29%	29%
Returns										
ROA	9%	11%	16%	20%	18%	16%	14%	12%	11%	12%
ROTA	9%	11%	16%	20%	16%	15%	13%	12%	11%	12%
ROE	31%	36%	44%	50%	45%	43%	41%	38%	36%	36%

Health	2021a	2022a	2023a	2024a	2025f	2026f	2027f	2028f	2029f	2030f
Cash /share	10.9	11.8	15.1	17.0	14.4	11.7	9.2	6.9	4.7	6.9
Total Debt / share	7.6	7.0	8.4	8.1	16.3	23.7	31.1	38.5	45.8	44.2
LT Debt / share	6.3	6.3	7.1	7.0	14.7	22.1	29.5	36.9	44.2	44.2
ST Debt / share	1.3	0.8	1.3	1.1	1.6	1.6	1.6	1.6	1.6	0.0
Net Debt / Share	-3.3	-4.7	-6.7	-8.9	1.9	12.0	21.9	31.5	41.2	37.3
Cash as a % of Mtk cap	6%	7%	8%	10%	8%	7%	5%	4%	3%	4%
Debt to Asset	19%	17%	20%	20%	32%	39%	44%	47%	49%	46%
Debt to Equity	63%	53%	54%	46%	83%	109%	128%	145%	158%	139%
EBIT/ Interest	4.6	5.5	6.7	9.5	8.7	8.7	7.9	6.6	5.7	5.5
Activity Ratios										
Current Ratio	3.8	3.9	4.3	4.1	3.1	2.6	2.2	1.8	1.6	2.0
Days Sales Outstanding	57.3	62.5	78.2	97.3	101.8	101.9	101.9	101.9	101.9	101.9
Days in Payables	12.0	23.3	29.4	43.7	59.8	60.9	60.3	60.0	60.7	61.4
Cash Conversion Cycle	45.3	39.2	48.8	53.6	42.0	41.0	41.5	41.9	41.2	40.5

Source: Financial Statements and anbc research

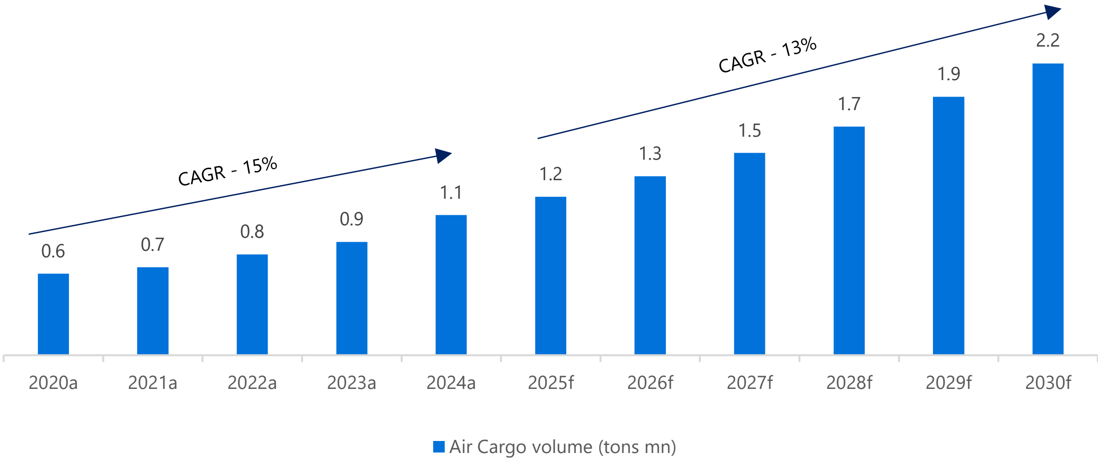
**Prices as of last close on 29th April 2025*

SAL to capitalize on growing air cargo volume

Air cargo is projected to increase to 2.2mn tons by 2030f.

Saudi Arabia's air cargo volumes grew by a 4-year CAGR of 15% during 2020 to 2024, surpassing the 1.0mn tons mark in 2024, up from 0.6mn in 2020. The General Authority of Civil Aviation (GACA) projects a significant expansion, expecting air cargo volumes to climb to 4.5 mn tons by 2030f, reflecting a robust 28% CAGR over six years from 2024 to 2030f. We estimate a more moderate annual growth rate of 13% from 2025f to 2030f, which would bring total volumes to 2.2 million tons by 2030f.

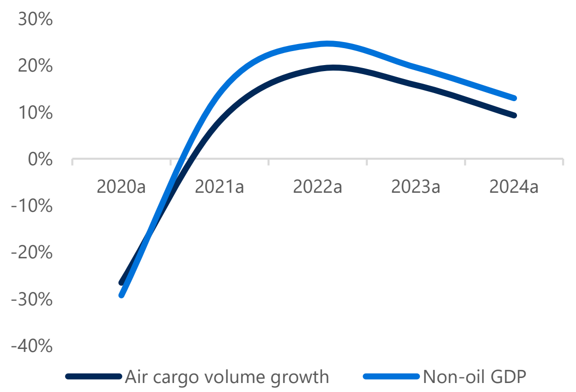
Chart 1: Air cargo volumes are estimated to grow at a CAGR of 13%, reaching 2.2mn tons by 2030f.



Source: Financial Statements and anbc research

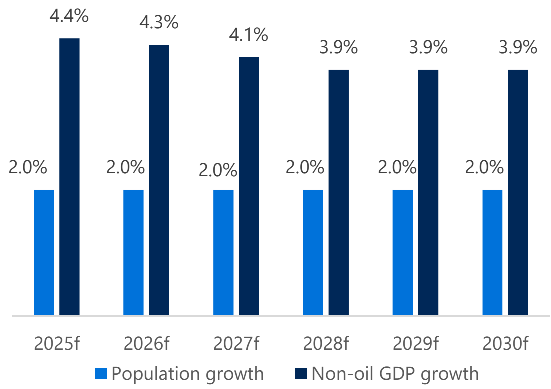
The robust growth in air cargo volumes is expected to drive from strong macroeconomic environment. As air cargo volumes are highly correlated with non-oil GDP growth, we project volumes will reflect Saudi Arabia's non-hydrocarbon GDP growth along with internet penetration and population growth. This, cumulatively, will have a highly positive impact on volumes growth. We expect Saudi Arabia's non-oil GDP to grow at a rate of 3.9%–4.4%, while population growth is expected to be 2.0% during the forecast period of 2025f–2030f. Given the robust economic activity and population growth, we expect air cargo volumes to increase by 13% annually during 2025f-30f, on which SAL can capitalize significantly due to its high market share.

Chart 2: Air cargo volume growth correlates with non-oil GDP growth



Source: IMF, SAL prospectus and anbc research

Chart 3: Non-oil GDP and population forecast

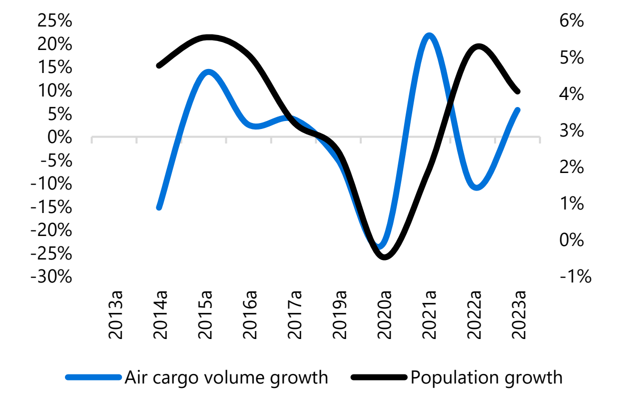


Source: IMF and anbc research

Expanding populations to drive higher air cargo demand.

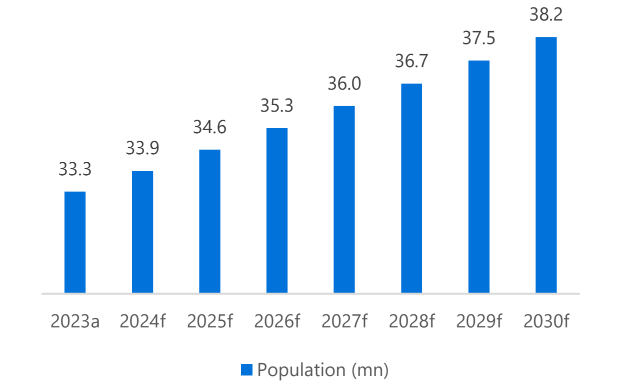
Per World Bank estimate, Saudi Arabia's population is projected to grow at an annual rate of 2% between 2024 and 2030f, reaching 38.2 mn. We expect this demographic expansion to contribute significantly to the rise in air cargo volumes. This view is supported by trends observed in other GCC countries, such as the UAE, where population growth has been closely linked to rising air cargo volumes.

Chart 4: UAE's Air cargo growth mirrors its population expansion



Source: Statista, World bank and anbc research

Chart 5: KSA's population to grow at CAGR of 2% from 2024f-30f



Source: World bank and anbc research

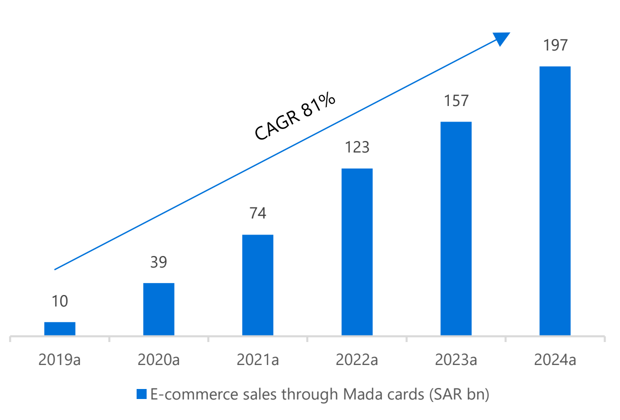
Accelerated adoption of E-commerce to drive demand of air cargo infrastructure

Saudi Arabia's overall value of e-commerce transactions is expected to grow at 6 years CAGR of 21.8% from 2024-30f to reach SAR 923bn in 2030f. The growth is partially attributed to rapidly growing e-commerce penetration, which is projected to grow to 26.0% of total retail by 2030f. Additionally, fulfillment orders are anticipated to reach 298mn by 2030f. As 34% of SAL's total volume handled in 2024 was contributed by e-commerce, we expect that any increase in e-commerce activity will largely benefit the company.

Saudi Arabia has recently seen a rise in e-commerce, with the number of transactions using Mada cards growing by 29% YoY in 2024. This increase is driven by increasing internet penetration, rising disposable income, and growing awareness of online shopping. With an internet penetration rate of 99%, Saudi Arabia ranks among the world's top countries, while the global average rate stands at 67.5%.

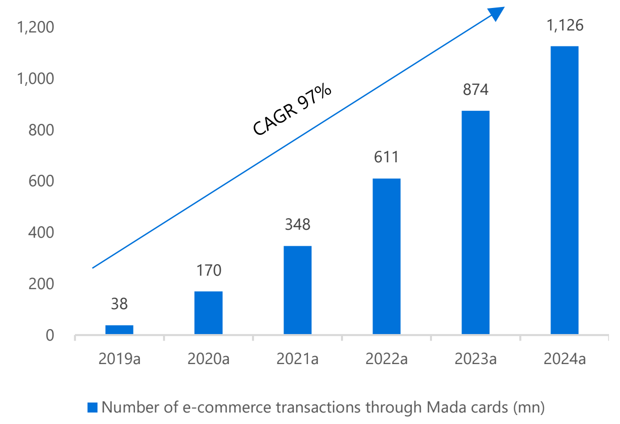
The number of e-commerce transactions in Saudi Arabia experienced a remarkable surge in 2024, registering a 5-year CAGR of 97% during 2019-24. Moreover, e-commerce sales using Mada card grew by a 5-year CAGR of 80.7% from 2019-24 to record at SAR197.4bn in 2024. Notably, these transactions and sales do not include purchases through Visa, MasterCard, and other credit cards. This indicates that the Kingdom has effectively adopted the technology, leading to increased awareness of online shopping. We expect high e-commerce usage will increase air cargo volume.

Chart 6: E-commerce sales through Mada card recorded CAGR of 81% during 2019-24



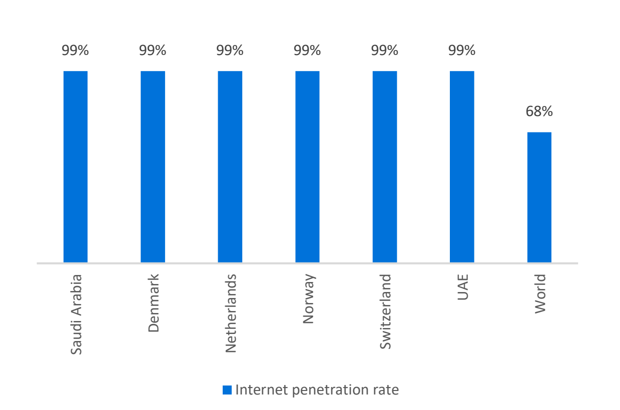
Source: Sama and anbc research

Chart 7: E-commerce number of transactions registered CAGR of 97% during 2019-24



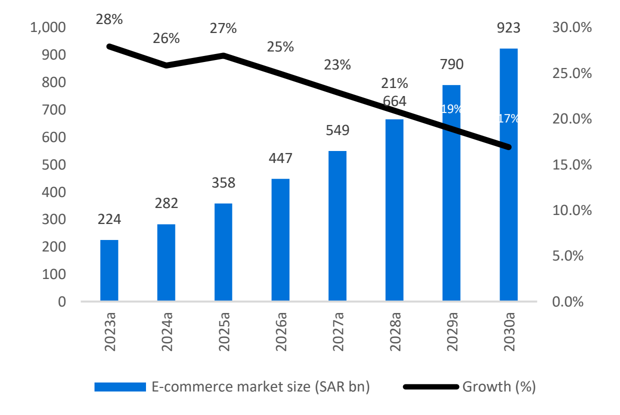
Source: Sama and anbc research

Chart 8: KSA ranked among countries with highest internet penetration



Source: World bank and anbc research

Chart 9: E-commerce to grow by CAGR of 21.8% during 2025-30f



Source: Sama and anbc research

We estimate KSA's e-commerce market size based on actual SAMA data for e-commerce sales through Mada cards totaling SAR197bn, which reportedly account for approximately 70% of total e-commerce sales in KSA (remaining 30% is reportedly through cards issued by Visa, Mastercard, Amex etc.). Based on this methodology, the combined e-commerce market size reached SAR282bn in 2024. For 2025e, we extrapolated data from the first two months (January and February), estimating the market size at SAR358bn.

Post 2025, we expect the market to grow at a more moderate 5-year CAGR of 20.9% during 2026–2030f, reflecting a slowdown following the expansion phase of the e-commerce sector. Notably, the market recorded growth rates of 28% in 2023a and 26% in 2024a.

Table 1: E-commerce growth assumption

Particular	2020a	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f	2029f	2030f
E-commerce sales through Mada cards (SAR bn)	39	74	123	157	197	251	313	385	465	553	646
Mada card sales as % of total e-commerce sales (%)	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
E-commerce market in Saudi Arabia (SAR bn)	55	106	175	224	282	358	447	549	664	790	923
Growth (%)	279%	91%	65%	28%	26%	27%	25%	23%	21%	19%	17%

Source: SAMA, anbc research

We estimate the e-commerce air cargo market size to reach approximately SAR 27bn in 2024, representing 9.6% of the total e-commerce market in Saudi Arabia. Saudi Logistics Services (SAL) handled a total air cargo volume of 972,000 tons during the year, of which 330,480 tons were attributed to e-commerce, accounting for 34% of the total. Based on SAL's estimated 92% market share, the total e-commerce air cargo volume in Saudi Arabia is calculated at 359,217 tons. Applying an average value-to-volume ratio of USD20,000/ton (equivalent to SAR75,000/ton), the total e-commerce air cargo market is valued at around SAR 27bn. This translates to 9.6% of the total e-commerce market size in the Kingdom.

Table 2: E-commerce air cargo market size

Particular		Source
Total volume handled by SAL in 2024 (tons)	972,000	SAL financials
E-commerce contribution in volume tons (34% of total volume handled)	330,480	SAL earnings call
Total e-commerce air cargo market size (based on 92% market share of SAL)	359,217	Estimation
Average value to volume ratio (USD/ton)	20,000	Estimation
Average value to volume ratio (SAR/ton)	75,000	Estimation
Total e-commerce air cargo market size (SAR bn)	27	Estimation
Total e-commerce air cargo market size as % of total e-commerce market size (2024)	9.6%	Estimation

Source: SAL financials, SAL earnings call, anbc research

We project e-commerce air cargo market to reach SAR 88bn by 2030f, registering 6 years CAGR of 21.8% during 2024-30f. The total e-commerce market size in the Kingdom is expected to grow from SAR 282bn in 2024a to SAR 923bn in 2030f, reflecting strong consumer adoption and digital retail expansion.

Table 3: E-commerce air cargo market size forecast

Particular	2024a	2025e	2026f	2027f	2028f	2029f	2030f
E-commerce market in Saudi Arabia	282	358	447	549	664	790	923
% of air cargo e-commerce to total e-commerce	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
E-commerce air cargo market size (SAR bn)	27	34	43	52	63	75	88

Source: anbc research

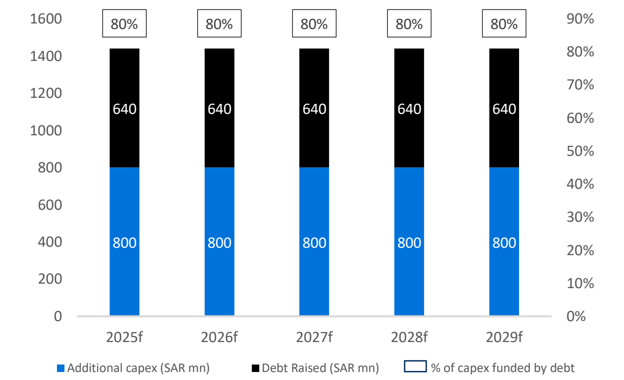
SAL to develop logistic zone.

The company announced the signing of an MoU to lease land measuring 1,561,965 sq.m in Falcon City, located in the north of Riyadh. It plans to develop and operate a Logistics Zone as part of the expansion of SAL's logistics projects and services. The project will require an investment of SAR 4.0bn over the next five years, in addition to the previously announced capex of SAR 1.1bn.

The lease agreement spans 30 years, including a 3-year grace period, with an option for a 15-year extension subject to mutual agreement between both parties. The final agreement is expected to be completed within six months of signing the MoU. Upon signing, SAL will pay a one-time infrastructure cost of SAR 25mn. Additionally, the company will pay a lease rate of SAR 16/sq.m, translating into SAR 25mn at the start of the lease, with the rate increasing by 1.5% annually.

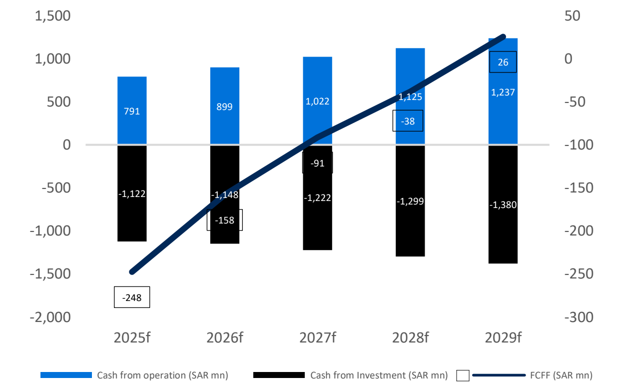
Based on recently announced details, the capex is expected to turn FCFF negative from 2025–28f, as cash from operations will be insufficient to fully finance the project. We anticipate that SAL will need to raise debt to fund the Logistics Zone, with an estimated 80% of the investment financed through borrowings and the remaining 20% covered by internal cash generation. During the expansion phase, we expect SAL's historically strong cash reserve levels to decline.

Chart 10: Expansion is expected to be 80% financed by debt



Source: SAL announcement and anbc research

Chart 11: FCFF to turn negative during 2025-29f due to high capex

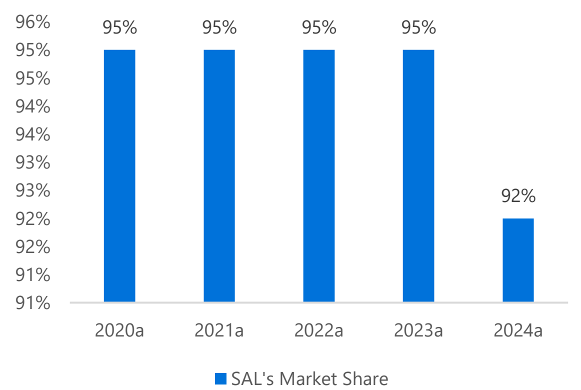


Source: SAL announcement and anbc research

SAL's market share declines to 92% and average revenue drop to SAR 1.4/kg in 2024

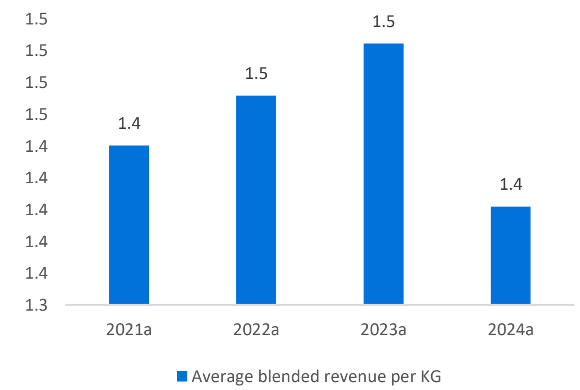
SAL, the dominant market leader with a 95% share in 2023, saw its market share decline to 92% in 2024. This marks a 3-percentage point drop from its steady 95% share maintained between 2020 and 2023. The decline is primarily attributed to intensifying competition from SATS, a foreign player that initially entered the Saudi market in 2015. The shift highlights the growing competitive landscape within the air cargo handling business in Saudi Arabia.

Chart 12: Market share dropped to 92% in 2024 due to increase in competition



Source: SAL prospectus and anbc research

Chart 13: Average revenue decreased to SAR 1.4/kg in 2024



Source: SAL prospectus and anbc research

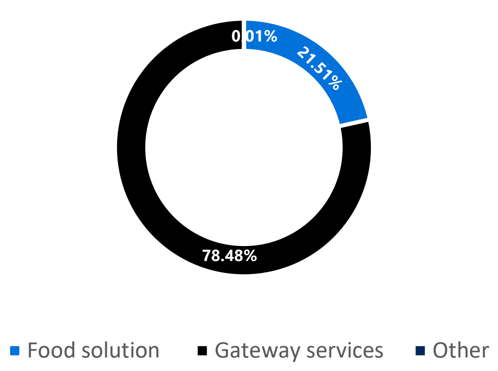
Competition from SATS not only decreased SAL's market share but also pressured its average blended revenue, which declined to SAR 1.4/kg in 2024 from SAR 1.5/kg in 2023. This decrease was partly driven by the company's strategic pricing initiatives aimed to sustain market share, as SAL offered lower rates to attract higher volumes. We believe the pricing pressure will continue during our forecasted period.

Global entrant: Singapore Airport Terminal Services Limited (SATS)

Globally, SATS Singapore operates in two segments: food solution and gateway services, which account for 21.5% and 78.5% of total revenue, respectively. Its gateway services provide air freight, baggage, and ramp handling, passenger services, aviation security, cargo, warehousing, perishables handling to cruise handling, and terminal management. SATS offers a full spectrum of customized gateway services to clients. In FY24, the company handled approximately 79.7mn passengers across around 0.6mn flights. Additionally, SATS handled air cargo of 7.8mn tons in 2024, translating to the global market share of 12.6%.

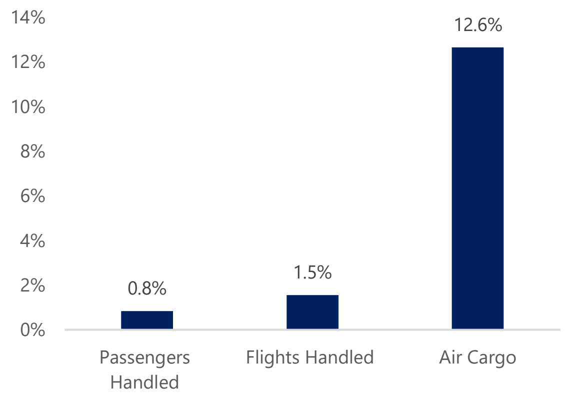
SATS has adopted a geographic expansion strategy by acquiring and building new partnerships to increase its presence in south Asia and the Middle East. The company entered the Saudi market in 2015 and completed its refrigerated cargo terminal in 2016. Additionally, in 2020, SATS won a 25-year cargo terminal concession at King Khalid International Airport (KKIA) in Riyadh, Saudi Arabia. Moreover, SATS divested 49% of its stake in its Saudi Arabian subsidiary to Avilog for USD 51.7mn (SAR 193.9mn) in Nov-24. This strategic move aimed to collaborate with local partner to expand into KSA's aviation and logistics sector.

Chart 14: SATS' gateway services contribute around 78.5% to total revenue



Source: SATS company accounts and anbc research

Chart 15: SATS' global market share in aviation sector 2024



Source: SATS company accounts and anbc research

Valuations:

Our valuation of SAL is based on the Discounted Cash Flow (DCF) method, which indicates a target price of SAR 192.4/sh. This target price suggests an upside potential of 3.9%, in addition to a dividend yield of 3.4%, resulting in a total expected return of 7.3%. We have a 'Neutral' rating on the stock.

For our FCFF-based DCF valuation, we have used a cost of equity of 10.2%, assuming the risk-free rate of 4.96%, a beta of 1.0, and a risk premium of 5.23%. The cost of debt is calculated by dividing the loan finance cost to total debt, resulting in 3.5% in 2024. To calculate the weighted average cost of capital, we have assumed a tax rate of 4.0% (ETR of 2024) along with equity and debt weight of 70% and 30%, respectively. With a terminal growth rate of 3.0%, the company's value stands at SAR 192.4/sh. The sum of the present value of FCFF amounted to SAR 516mn, while the present value of the terminal value amounted to SAR15.0bn. After subtracting the net debt of SAR72.9mn, we have calculated the equity value of SAR15.4bn by Dec-2025f.

Description	Unit	2026f	2027f	2028f	2029f	2030f	Terminal
FCFF	SAR mn	(158)	(91)	(38)	26	1,114	22,148
Discount factor	x	0.92	0.85	0.79	0.73	0.67	0.67
PV of FCFF	SAR mn	-146	-78	-30	19	752	14,947
Sum of FCFF	SAR mn	516					
Terminal value	SAR mn	14,947					
Net debt	SAR mn	72.9					
Equity value	SAR mn	15,390					
Number of shares	Mn	80					
Target Price	**SAR**	**192.4**					
Current price	SAR	185					
Upside/Downside	%	3.9%					
Dividend yield	%	3.4%					
Total return	%	7.3%					

Earnings Sensitivity:

		Growth Rate				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	6.2%	258.1	293.7	340.4	404.6	498.2
	7.2%	199.8	221.5	248.5	282.7	327.8
	8.2%	160.6	175.1	**192.4**	213.3	239.3
	9.2%	132.7	142.9	154.7	168.7	185.3
	10.2%	111.7	119.2	127.8	137.6	149.1

Source: SAL Financials and anbc research

Key Risks

- **High revenue concentration with Saudi Airline Cargo Company (SACC).** In 2021 and 2022, 56% of SAL's cargo handling revenue came from SACC; however, in 2023, It dropped to 41%, which we believe is still high. Revenue reliance of 41% on one single entity poses a significant risk. SACC's contract with SAL will expire on 31st May, 2028 and prices will remain fixed till 31 May, 2026. The contract is extendable, but with rising competition, it will be challenging for SAL to increase prices.
- **The company's revenue is heavily dependent on the commercial terms agreed with GACA and the airport operator at its key location.** In 2020, 2021, and 2022, revenue generated from this key location (KKIA in Riyadh, KAIA in Jeddah, PMIA in Medina, KFIA in Dammam) accounted for 99.7%, 95.2%, and 85.8% of the company's total revenue, respectively. Any breach of contractual obligations that leads to the termination of these agreements could have a significantly adverse impact. Furthermore, if the company loses any of the competitive advantages or negotiating power it has historically held within the Kingdom, it could materially and negatively affect its business operations, financial performance, position, future prospects, and ultimately, the market value of its shares.
- **Technology adoption by airports:** Smart airports, such as the King Abdulaziz International Airport (KAIA), are expected to be more efficient and equipped with advanced technology. These improvements may enable airport operators to handle some of the services such as cargo processing and storage activities currently provided by the company. As a result, certain services offered at key locations may become less relevant or experience a decline in demand. This could lead to a decrease in the company's revenue from those services, which may negatively affect its overall business performance, financial position, and share value.

Financial Summary:

Income statement	Units	2024a	2025f	2026f	2027f	2028f	2029f	2030f
Revenue	SAR mn	1,634	1,819	2,022	2,249	2,501	2,781	3,092
Cost of Revenue	SAR mn	719	846	957	1,106	1,294	1,475	1,644
Gross Profit	**SAR mn**	**915**	**973**	**1,065**	**1,143**	**1,207**	**1,306**	**1,448**
Operating Expenses	SAR mn	207	247	270	290	315	341	368
Operating Profit	**SAR mn**	**708**	**726**	**795**	**853**	**892**	**965**	**1,079**
Other Income	SAR mn	61	60	43	33	26	22	17
Finance Cost	SAR mn	74	84	92	109	136	169	196
Profit Before Tax	SAR mn	694	703	746	777	783	817	900
Zakat Tax	SAR mn	33	35	30	24	19	14	10
PAT	**SAR mn**	**661**	**668**	**716**	**753**	**764**	**803**	**890**
Number of Share	mn	80	80	80	80	80	80	80
EPS	SAR	8.3	8.3	9.0	9.4	9.6	10.0	11.1
Balance Sheet								
Property and equipment	SAR mn	720	1,703	2,651	3,596	4,536	5,471	5,413
Right-of-use asset	SAR mn	523	534	532	530	529	527	525
Intangible assets	SAR mn	12	12	12	12	12	12	12
Long term loan receivable	SAR mn	0	0	0	0	0	0	0
Total non-current assets	SAR mn	1,254	2,248	3,195	4,138	5,076	6,009	5,950
Current portion long term loan receivable	SAR mn	12	12	12	12	12	12	12
Construction work in progress	SAR mn	0	0	0	0	0	0	0
Trade receivables	SAR mn	480	535	594	661	735	818	909
Prepayments and other receivables	SAR mn	124	138	153	171	190	211	234
Due from related parties	SAR mn	0	0	0	0	0	0	0
Cash and cash equivalents	SAR mn	1,362	1,156	935	736	555	375	551
Short term Murabaha deposits	SAR mn	0	0	0	0	0	0	0
Total current assets	SAR mn	1,978	1,840	1,694	1,579	1,492	1,415	1,706
Total assets	**SAR mn**	**3,232**	**4,088**	**4,889**	**5,717**	**6,568**	**7,424**	**7,656**
Share capital	SAR mn	800	800	800	800	800	800	800
Statutory reserve	SAR mn	115	115	115	115	115	115	115
Retained earnings	SAR mn	501	668	847	1,035	1,227	1,427	1,650
Actuarial loss	SAR mn	-14	-14	-14	-14	-14	-14	-14
Shareholders' equity	**SAR mn**	**1,402**	**1,569**	**1,748**	**1,937**	**2,128**	**2,328**	**2,551**
Long term loan	SAR mn	560	1,179	1,769	2,359	2,949	3,539	3,539
Employees' end of service benefits	SAR mn	100	100	100	100	100	100	100
Lease liabilities	SAR mn	684	653	629	605	581	556	611
Non-current liabilities	**SAR mn**	**1,343**	**1,932**	**2,498**	**3,064**	**3,629**	**4,195**	**4,250**
Current portion of long-term loan	SAR mn	57	50	50	50	50	50	0
Current portion of lease liabilities	SAR mn	34	79	79	79	79	79	0
Trade payable	SAR mn	127	150	170	196	229	261	291
Accruals and other liabilities	SAR mn	230	271	306	354	414	472	526
Zakat payable	SAR mn	38	38	38	38	38	38	38
Current liabilities	**SAR mn**	**487**	**588**	**643**	**717**	**811**	**900**	**855**
Total liabilities and Equity	**SAR mn**	**3,232**	**4,088**	**4,889**	**5,717**	**6,568**	**7,424**	**7,656**

Source: SAL financials and anbc research

Cashflow statement (SARmn)		2024a	2025f	2026f	2027f	2028f	2029f	2030f
Net income	SAR mn	661	668	716	753	764	803	890
Add: Non-cash expenses	SAR mn	102	128	202	279	360	447	506
Changes in Working Capital	SAR mn	-35	-5	-20	-10	0	-13	-31
Cash from operation	**SAR mn**	**729**	**791**	**899**	**1,022**	**1,125**	**1,237**	**1,365**
Capex	SAR mn	253	-1,122	-1,148	-1,222	-1,299	-1,380	-447
Other investments	SAR mn	12	0	0	0	0	0	0
Cash from Investment	**SAR mn**	**265**	**-1,122**	**-1,148**	**-1,222**	**-1,299**	**-1,380**	**-447**
Add Finance cost after Tax	SAR mn	74	84	92	109	136	169	196
FCFF	**SAR mn**	**1,068**	**-248**	**-158**	**-91**	**-38**	**26**	**1,114**
Net debt	SAR mn	-349	626	566	566	566	566	-74
Less Finance cost after Tax	SAR mn	-74	-84	-92	-109	-136	-169	-196
FCFE	**SAR mn**	**645**	**295**	**316**	**366**	**392**	**422**	**844**
Changes in Equity	SAR mn	-493	-501	-537	-565	-573	-602	-667
Cash from financing	SAR mn	-842	125	29	1	-7	-36	-742
Net changes in Cash	**SAR mn**	**152**	**-206**	**-221**	**-199**	**-181**	**-180**	**176**
Opening Balance	SAR mn	1,210	1,362	1,156	935	736	555	375
Closing Balance	**SAR mn**	**1,362**	**1,156**	**935**	**736**	**555**	**375**	**551**

Source: SAL financials and anbc research

Sector Analysis

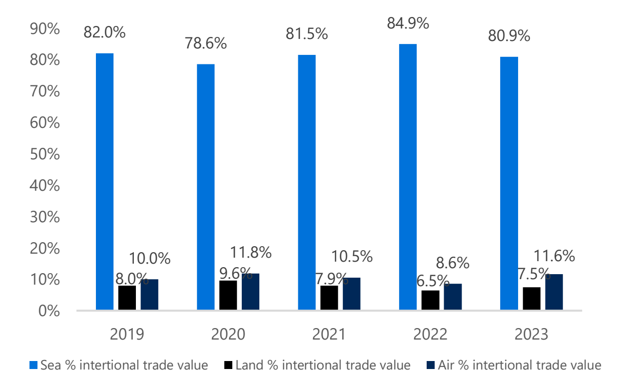
Shifting tides of global trade: maritime, railway, and air cargo

In the vast and intricate world of international trade, three key players dominate the stage: the steadfast maritime shipping, the reliable railway transport, and the swift but costly air freight. Each mode has its role in ensuring goods traverse borders, connecting businesses and consumers across the globe. For centuries, maritime trade has been the backbone of commerce, with maritime shipping handling over 80% of international trade by volume, carrying 70% of global trade's value. It's the king of cost-effective, long-distance transport, particularly for bulk commodities.

While maritime shipping dominates in volume, air freight plays a different role. Despite carrying less than 1% of global trade by volume, air freight accounts for 15% of the total trade value, specializing in high-value, time-sensitive shipments. However, speed comes at a price. Somewhere in between, railway transport weaves across continents, linking cities and industries. It contributes 7% to global freight by volume, often moving bulk goods like coal, minerals, and agricultural products. While its value share is lower, its reliability and efficiency for land-based trade make it indispensable. As trade fluctuates, the balance between maritime and air transport shifts accordingly, influenced by a complex network of economic and geopolitical factors that determine which mode of transportation takes precedence.

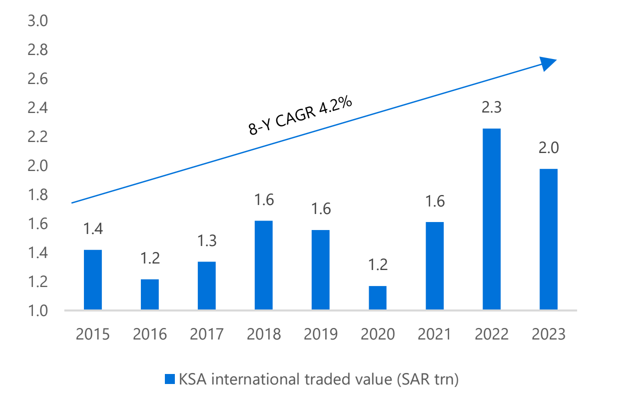
We have seen the partially similar proportion in Saudi Arabia, where around 82% (in value) of the international traded uses maritime as transportation mode, followed by air freight, accounting for around 10.5% of total international traded value during 2019-23. The remaining market share is captured by railway or land transportation mode.

Chart 16: More than 80% of international trade in KSA uses maritime as transportation mode



Source: GSTAT and anbc research

Chart 17: KSA's international traded value increased by 8-Y CAGR of 4.2%

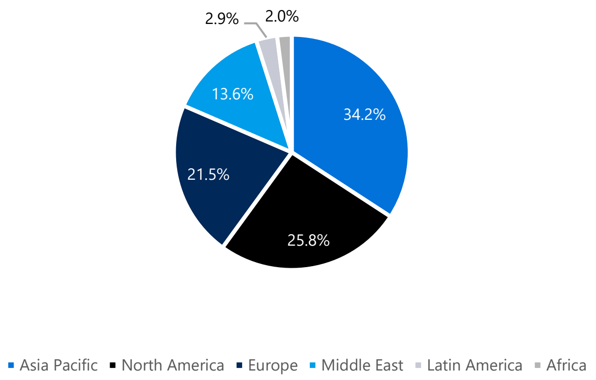


Source: GSTAT and anbc research

Global air cargo market

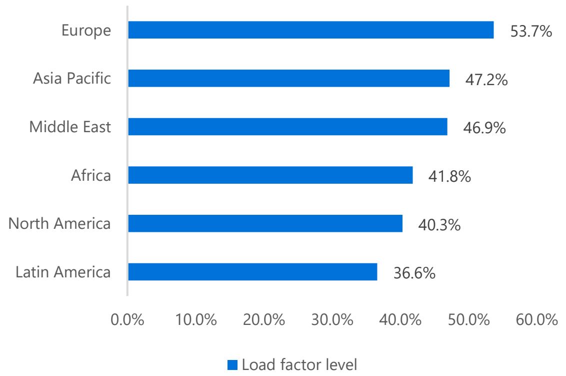
In 2024, Cargo tons kilometers (CTKs), which represent the air cargo market size, grew by 11.3% YoY. The surge is mainly due to strong e-commerce business and maritime shipping restrictions. The global air cargo market is divided into six regions: Africa, the Asia-Pacific, Europe, Latin America, the Middle East, and North America. The Asia-Pacific region has the largest market share of 34.2% in 2024, followed by North America with the market share of 25.8%. The Middle East ranks fourth with the market share of 13.6%; however, it has the third largest load factor of 46.9%, which is higher than the total market load factor of 45.9% in 2024. Notably, the Middle East also recorded the highest growth in load factor of 3.1% YoY in 2024.

Chart 18: Middle East accounts for 13.6% of global air cargo in 2024



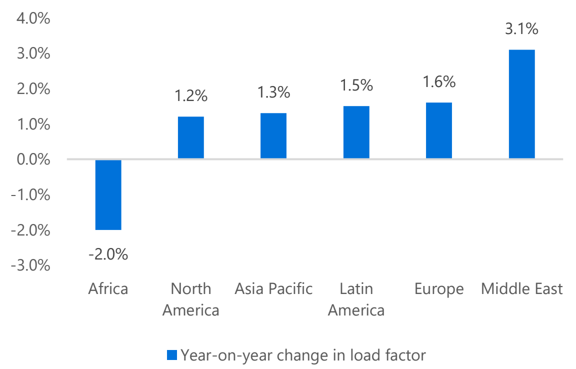
Source: IATA and anbc research

Chart 19: ...with third highest load factor of 46.9% in 2024



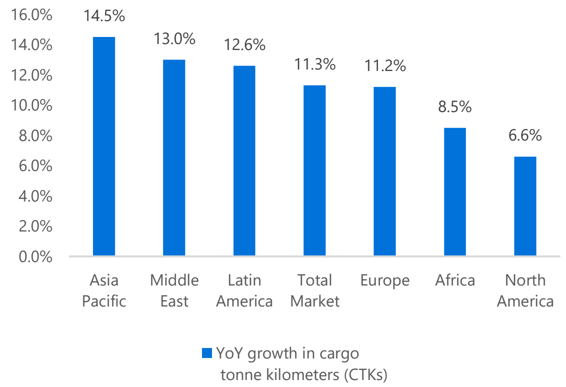
Source: IATA and anbc research

Chart 20: Middle east recorded highest growth in load factor of 3.1% in 2024



Source: IATA and anbc research

Chart 21: Middle east outperformed total market growth in air cargo

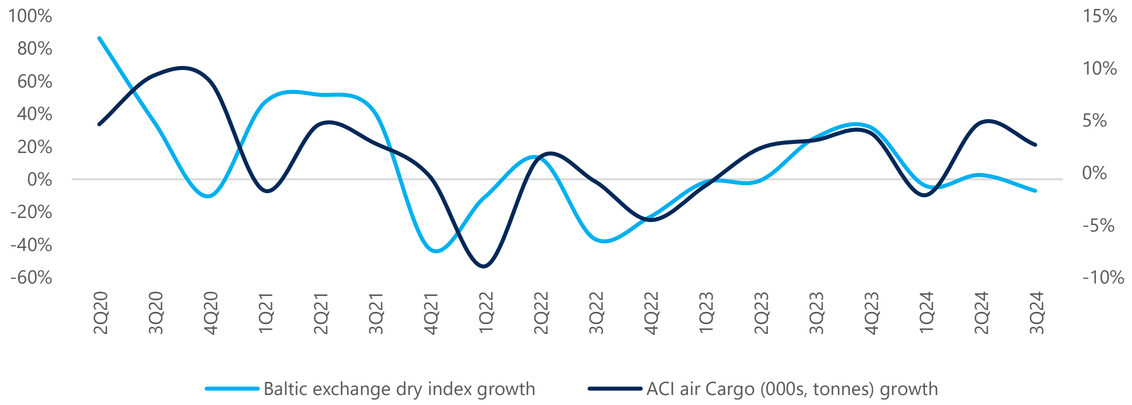


Source: IATA and anbc research

The air cargo market experienced strong growth in 2024, with robust expansion across the total market and all regions. The surge is mainly due to improvement in e-commerce business and maritime shipping restrictions due to geopolitical tensions. E-commerce accounts for almost 20% of global air cargo and, according to IATA, its share will grow to 30% by 2027f. As people are largely adopting online shopping for everyday essentials, air cargo services will play an important role in meeting the demand for rapid delivery. E-commerce purchases are less likely to be transported through maritime shipping due to lengthy shipping time. Therefore, we believe that the prevalent use of e-commerce will benefit the global air cargo industry, including the Saudi air cargo industry.

Another major reason for the rise in air cargo is maritime shipping restrictions such as regulatory changes, environmental factors and geopolitical tension. The disruption in the Red Sea has caused shipping lines to reroute their vessels around the Cape of Good Hope, bypassing the red sea area and Suez Canal. The rising shipping costs and time led the transporters to send their goods through the air route. This shows that increase in shipping costs have a positive impact on air cargo volume as goods are transported through air route. By using shipping cost benchmark of Freightos Baltic Index and air cargo reported by ACI, we have calculated a correlation of 0.74 between global shipping cost and air cargo volume.

Chart 22: Freightos Baltic Index (FBI) and ACI global air cargo growth exhibit a strong correlation of 0.74

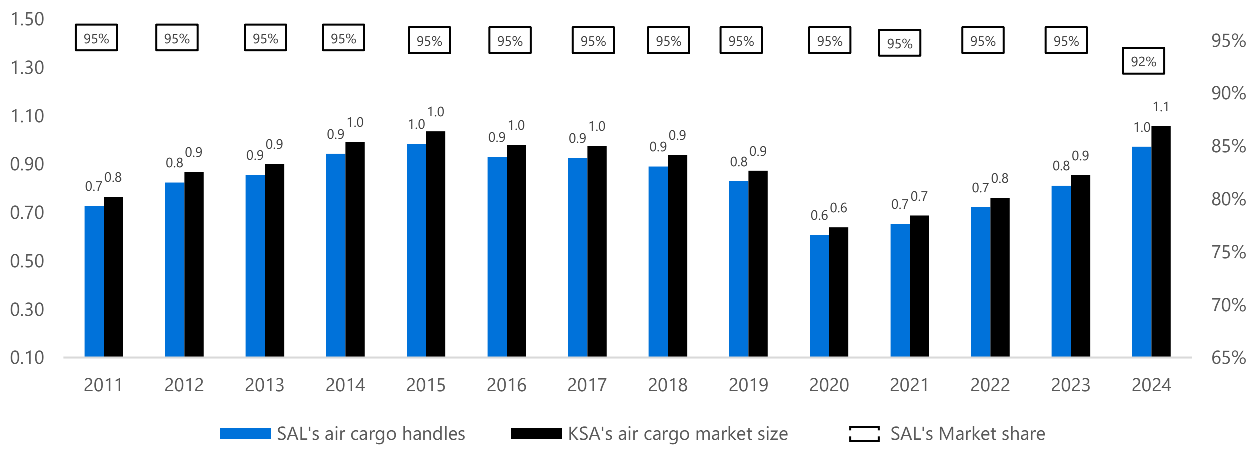


Source: Bloomberg and anbc research

Saudi Arabia air cargo market

Saudi Arabia's air cargo is predominantly handled in King Abdulaziz International Airport (KAIA) in Jeddah and King Khalid International Airport (KKIA) in Riyadh, both cumulatively accounting for 85% of SAL's total revenue. According to the General Authority of Civil Aviation (GACA), KKIA and KAIA together handled 86% of KSA's total air cargo volume. SAL is the market leader in air cargo handling services in KSA, with a 92% market share and a presence at country's major airports. Saudi Arabia's air cargo industry witnessed a robust growth of 24% YoY in 2024, surpassing 1.0mn tons—a level last seen in 2015. We expect KSA's air cargo volume to reach 2.2mn tons by the end of 2030f. We have calculated KSA's air cargo market size through assuming SAL's market share of 95% from 2011-18 and dividing it with SAL's actual air cargo volume handled during the year. Notably, the air cargo market shrank in 2020 due to COVID-19 restrictions, returning to its historical level of 0.9mn tons in 2023. However, in 2024, the market share reduced to 92% as compared to 95% in previous years. This is due to a rise in competition from the international player, Singapore Airport Terminal Services Limited (SATS).

Chart 23: KSA's air cargo market is back to pre-covid period



Source: SAL prospectus and anbc research

Saudi National Transport and Logistics Strategy

The Saudi National Transport and Logistics Strategy is an integral component of the Kingdom's Vision 2030. This comprehensive strategy is designed to develop state-of-the-art infrastructure and optimize the efficiency of the transport and logistics sector.

The primary goal is to position Saudi Arabia as a preeminent global transport and logistics hub, thereby contributing to economic diversification and promoting sustainable development. The key objectives of the strategy are as follows:

i) Infrastructure Enhancement; Objective: Expand and modernize the network of roads, railways, ports, and airports. Rationale: Upgraded infrastructure is essential to support increased transportation demands and enhance connectivity across the Kingdom. ii) Efficiency Improvement; Objective: Enhance shipment and transport flow management through modern technology. Rationale: Implementing advanced technologies will streamline operations, reduce costs, and improve overall sector efficiency. iii) Investment Attraction; Objective: Attract local and international investments by fostering a better business environment. Rationale: A conducive investment climate is vital for securing capital inflows, driving sector growth, and ensuring long-term sustainability. iv) Human Resource Development; Objective: Train and qualify national talent for roles in the transport and logistics sector. *Rationale:* Developing a skilled workforce is crucial for maintaining sector competitiveness and supporting future growth.

Saudi Arabia - National Industrial Development and Logistics Program overview

Saudi Arabia holds a unique logistical advantage due to its strategic location at the crossroads of Asia, Africa, and Europe, making it a key global trade hub. As the largest market in the GCC and a major consumption center in MENA, the Kingdom is well-positioned to connect global shipping and commercial routes. The logistics sector is vital to the National Industrial Development and Logistics Program (NIDLP), supporting supply chain integration and boosting investment appeal. NIDLP aims to transform Saudi Arabia into a global logistics hub by enhancing efficiency, infrastructure, and regional connectivity, reducing freight costs, streamlining customs procedures, and increasing private sector involvement.

National Industrial Development & Logistics Program Delivery Plan 2021-2025

The National Industrial Development and Logistics Program (NIDLP) from 2021-2025 outlines a comprehensive plan to enhance Saudi Arabia's logistics sector. The plan includes significant infrastructure improvements, such as the development of 10 ports, 29 airports, and extensive road and rail networks. Key challenges identified include congestion, limited capacity, and gaps in logistical zones. Legislative and procedural issues, such as the lack of integrated planning and low operational efficiency, are also highlighted. Structural challenges include complex governance and weak sectoral coordination.

To address these, several initiatives have been launched, including involving the private sector in port operations, reducing customs clearance times, and merging railway entities. The Kingdom has invested over SAR 400 billion in transportation and logistics, resulting in improved infrastructure and increased cargo and passenger volumes. Aspirations for the sector include becoming a global logistics hub, enhancing service efficiency, and reducing freight costs. Key initiatives focus on attracting shipping lines, improving port infrastructure, reorganizing railway entities, and developing a unified logistics platform. The plan also emphasizes the importance of regulatory reforms, digital integration, and human capital development to achieve Vision 2030 objectives.

Company Overview

Business activity

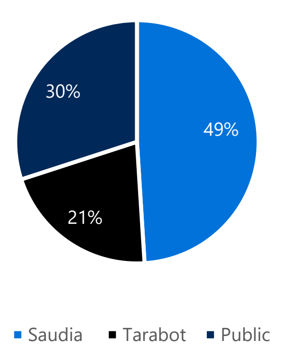
SAL Saudi Logistics Services specializes in providing comprehensive logistics solutions. The company offers services such as cargo handling, shipment tracking, invoice verification, multi-modal logistics, cargo charter, and supply chain management. It serves customers across Saudi Arabia. Saudi Arabian Airline, the largest airline company in Saudi Arabia, holds the largest stake in the company at 49%, followed by Tarabot Air Cargo Services Co. with 21%, while the remaining 30% is owned by the public. The company is directly operating at the international airports in Riyadh (KKIA), Jeddah (KAIA), Dammam (KFIA) and Madinah (PMIA). SAL is also offering services at another 9 international airports and 5 domestic airports.

Cargo handling services account for approximately 83% of total revenue of the company. The said segment provides cargo handling services, facility storage services, screening, aircraft ramping handling, customs inspection management, road feeder services, terminal handling, escorting, and cold chain. The remaining 15-17% of the revenue comes from the logistic solution segment, which provides land cargo, tailor-made solutions, warehousing, air cargo, customs clearance, sea cargo, and project logistics.

Cargo handling services include broadening services, ground handling services, and cargo terminal services. Ground handling services involve ramp handling where cargo offloading and transportation services are carried out by the company. Additionally, the company transports cargo, loads it onto cargo aircraft, and provides loading and cargo flight-related services. Cargo terminal services include cargo break-up services, where the cargo is broken up at the terminals based on product type. In addition, cargo storage involves storing cargo inside the warehouse based on products type, while security screening includes assistance with the X-ray security check performed on all outbound and transit cargo.

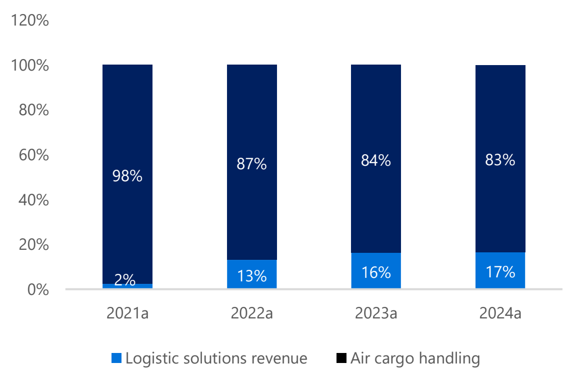
The air cargo companies are obligated to enter into lease agreements with relevant authorities and airport companies to run operations at airport terminals. Similar to other air cargo companies, SAL has also entered into lease agreements with CAGA and airport companies to rent a number of air cargo facilities and sites at key airports.

Chart 24: Saudia and Tarabot combined hold 70% stake in SAL



Source: Bloomberg and anbc research

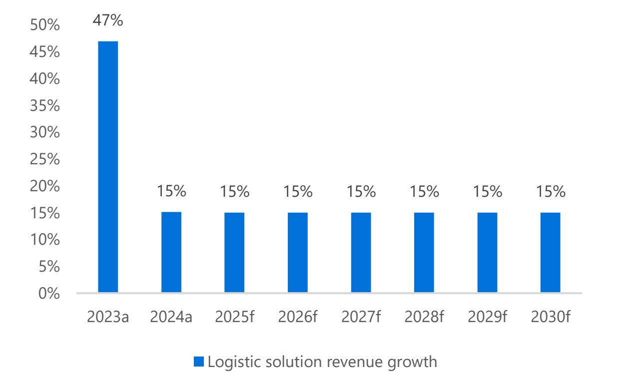
Chart 25: Revenue contribution segment wise



Source: IATA and anbc research

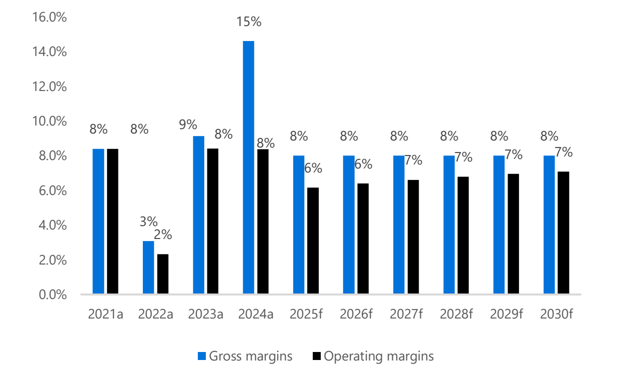
The Logistics Solution segment is the second largest revenue-generating segment following air cargo services with a 16.6% revenue contribution in 2024. The segment provides integrated end-to-end third-party logistics services, specifically designed to meet the unique requirements of governmental and semi-governmental organizations in KSA. Its service portfolio includes freight forwarding, customs clearance, warehousing, and tailored logistics solutions that cater to complex and high-priority projects. The segment was started in 2020, with its revenue exhibiting an impressive growth of 605% in the following year. In 2023 and 2024, these services registered a growth of 47% and 15%, respectively. We believe that Logistic Solution's revenue will grow by 15% YoY during 2025-30f, as the segment is out of its growth phase and will grow at a normalized rate. Additionally, gross and operating margins will decrease slightly to 8% and 6-7%, respectively, for the forecast period.

Chart 26: We project logistic solution revenue to grow at 15% YoY from 2025-30f



Source: Bloomberg and anbc research

Chart 27: Logistic solution operating margin is expected to remain at 6-7% during 2025-30f

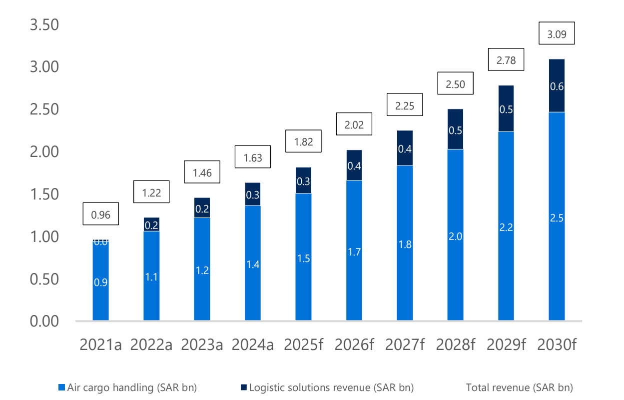


Source: SAL financials and anbc research

The company aims to add additional services to its portfolio's promising segment, Fulfillment, where SAL seeks to provide an end- to-end process of managing and executing orders from receipt to its final delivery. The company also aims to become a preferred e-commerce warehousing and Fulfillment partner in KSA by offering advanced, purpose-built facilities powered by cutting-edge technology. Its integrated approach includes collaboration with partners and an extensive nationwide network—comprising both owned and third-party operations. The service offerings include: (i) fulfillment centers, (ii) basic fulfillment services, (iii) bonded zone solutions, (iv) e-commerce fulfillment, and (v) last-mile delivery.

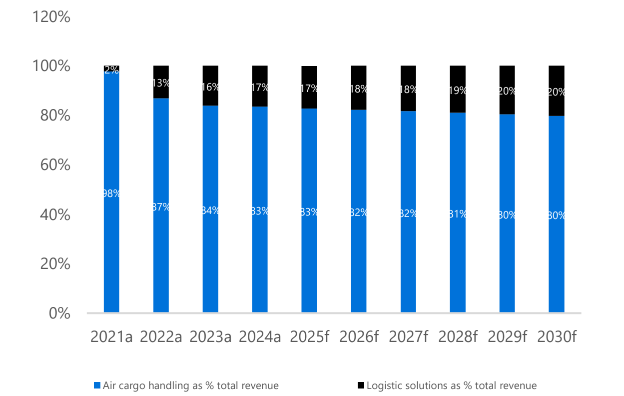
E-commerce contributed 34% to the total volume handled by the company in 2024. Additionally, e-commerce volumes showed a remarkable 30% YoY growth in 2024, with the majority of e-commerce shipments arriving through SAL's facilities in Riyadh and Jeddah. The company aims to capitalize on this volume by providing end-to-end services and adding value. It also expects the KSA's e-commerce market to grow by a CAGR of 13%, reaching SAR26.0bn by 2030f.

Chart 28: Revenue to record 6-Y CAGR of 11% from 2025-30f



Source: Bloomberg and anbc research

Chart 29: Logistic solution is expected to at 20% of total revenue by 2030f

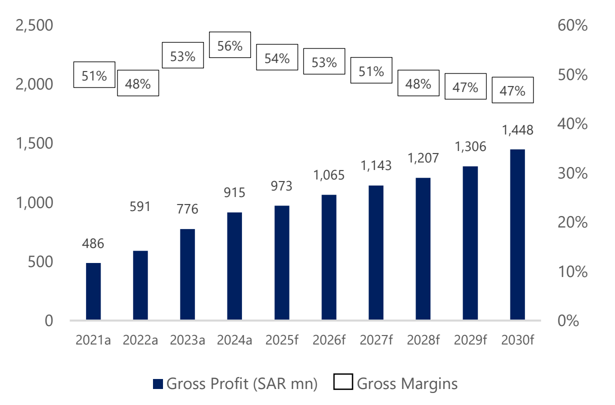


Source: SAL financials and anbc research

We expect SAL's revenue to record a 6-year CAGR of 11% during 2025–30f. We project that the Logistics Solution segment will contribute approximately 20% of total revenue by 2030f, up from 17% in 2024a. Revenue from the Logistics Solution business is expected to grow at a CAGR of 15% during 2024–30f. The higher growth rate in this segment, compared to air cargo handling revenue, is primarily attributed to its relatively recent launch, which provides a lower base and higher scalability. As a result, the faster expansion of the Logistics Solution segment is driving its increasing share in SAL's overall revenue mix.

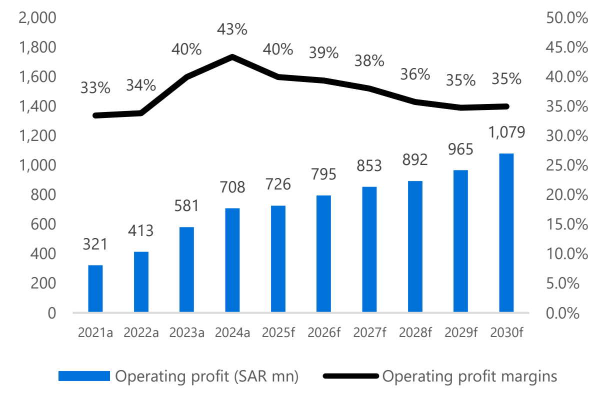
Key Charts

Chart 32: Gross profit and margin trend



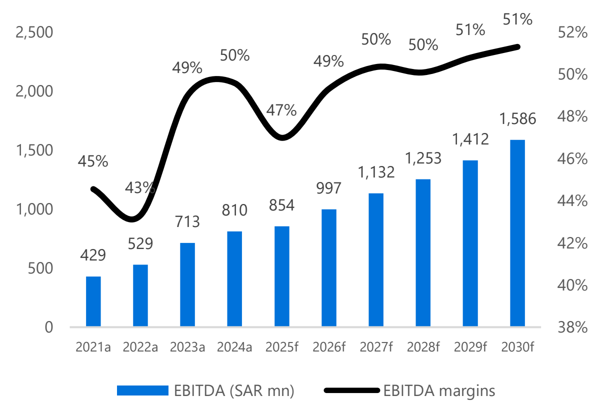
Source: SAL financials and anbc research

Chart 31: Operating profit and margin trend



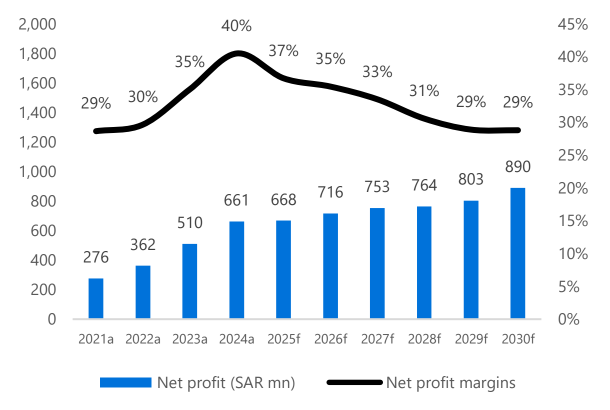
Source: SAL financials and anbc research

Chart 32: EBITDA and EBITDA margin trend



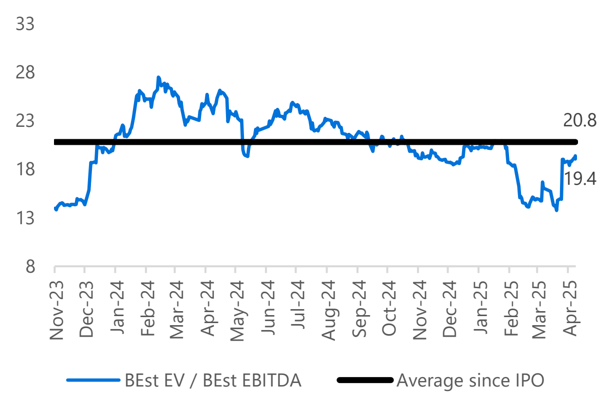
Source: SAL financials and anbc research

Chart 33: Net profit and margin trend



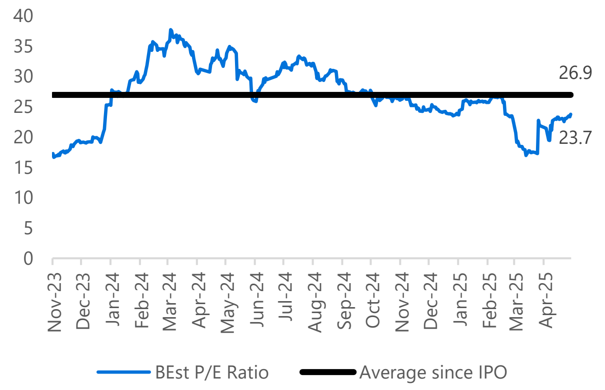
Source: SAL financials and anbc research

Chart 34: SAL is trading at lower than historical average best EV/ best EBITDA



Source: Bloomberg and anbc research

Chart 35: SAL is trading at lower than historical average best price to earning



Source: Bloomberg and anbc research

Disclaimer

anb capital is a Saudi Closed Joint Stock Company with paid up capital of SAR 1,000 million and is licensed by the Capital Market Authority of Saudi Arabia under license number 07072-37 and Unified Number 7001548267, with its head office at 3581 Al Mouyyad Al Jadid, Al Murabba, PO Box 220009, Riyadh 11311, Saudi Arabia, telephone number 800 124 0055.

This report is prepared by anb capital, a full-fledged investment bank providing investment banking, asset management, securities brokerage and research services. anb capital and its affiliates, may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this report. Also, anb capital (or its officers, directors or employees) may have a position in the securities that are the subject of this report.

This report has been prepared on the basis of information believed to be reliable, but anb capital makes no guarantee, representation or warranty, express or implied, as to the accuracy, correctness or completeness of such information, nor do they accept any responsibility for loss or damage arising in any way (including by negligence) from errors in, or omissions from the information.

This report is intended only for the recipient to whom the same is delivered by anb capital and should not be reproduced, redistributed, forwarded or relied on by any other person. The distribution of this report in some jurisdictions may be restricted by law, and persons into whose possession this report comes should inform themselves about, and observe, any such restriction.
This report has been prepared by anb capital for information purposes only and is not and does not form part of nor should be considered advice, recommendation, offer for sale or solicitation of any offer to subscribe for, purchase or sell any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever, and any views or opinions expressed herein are subject to change without notice.

This report and information contained herein, are provided for informational purpose only and does not take into consideration any investment objective, financial situation or particular needs of any recipient and are not designed with the objective of providing information to any particular recipient and only provides general information. anb capital assumes that each recipient would make its own assessment and seek professional advice, including but not limited to, professional legal, financial and accounting advice, before taking any decision in relation to the information provided in the report. Recipients should consider their own investment objectives and financial situation and seek professional advice before making any investment decisions.

Under no circumstance will anb capital nor any of its respective directors, officers or employees be responsible or liable, directly or indirectly, for any damage or loss caused or alleged to be caused by or in connection with the use of or reliance on the information contained in this report.

All opinions, estimates, valuations or projections contained in this report constitute anb capital's current opinions, assumptions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no guarantee that future results or events will be consistent with any such opinions, estimates, valuations or projections. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions and future actual outcomes and returns could differ materially from what is forecasted.

Past performance is not necessarily indicative of future performance and the value of an investment may fluctuate. Accordingly, any investment made pursuant to this report in any security is neither capital protected nor guaranteed. The value of the investment and the income from it can fall as well as rise as the investment products are subject to several investment risks, including the possible loss of the principal amount invested. No part of the research analysts' compensation is related to the specific recommendations or views in the research report.

By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Ratings Guidelines

anb capital's investment research is based on the analysis of economic, sector and company fundamentals with the objective of providing a long term (12 month) fair value target for a company.

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

Analyst Certification:

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Contact

ANB Capital Head Office

3581 Al Mouyyad Al Jadid, Al Murabba, Riyadh 11311,

PO Box 22009, Kingdom of Saudi Arabia

Tel: +966 11 406 2500, 800 124 0055

Email: research@anbcapital.com.sa

Web: www.anbcapital.com.sa