Equity Research report
SAL AB Equity
16 September 2026

Target Price: SAR198/share
Current Price: SAR169.8/share
Upside: 17% (+Div. Yield: 4.5%)
Rating: Overweight

SAL Saudi Logistics Services (SAL)

Cargo recovery, better pricing and diversification drive growth

- Top-line to grow at ~15% CAGR over 2025-30e, driven by stronger imports, a favorable cargo mix and disciplined pricing, and further aided by scaling logistics and SAL zones.
- Earnings are set to grow at a slower ~11% CAGR, driven by gradual margin compression and rising financial costs on elevated leverage
- Post rolling forward and revising our estimates, we raise our TP to SAR198/share using an equal mix of DCF and P/E, implying an upside of ~17% with an Overweight rating.

Stock data	
TASI ticker	4263
Mcap (SARmn)	13,584
Trd. Val (3m) (SARmn)	35.8
Free float	44.6%
QFI holding	9.3%
TASI FF weight	0.31%

Source: Bloomberg

Prices indexed to 100

Source: Bloomberg

Cargo volumes back on track, with a further upside potential: SAL's cargo volume rebounded strongly (+9% y/y) in 2Q26 after a temporary 1Q26 dip (-2% y/y), aided by rising imports, a better cargo mix, and normalized airline operations amid adjusted supply chains, despite geopolitical uncertainty. We expect this trajectory to hold over the medium term on three drivers: i) capacity expansion, as SAL's SAR900mn 2026-30e investment doubles terminal capacity across Riyadh, Jeddah, Dammam and Madinah, ii) healthy demand for higher value cargo, driven by e-commerce growth and Vision 2030's logistics-hub push, and iii) diversification, as the Aviapartner Liège acquisition (SAL Liège; closed early August; expanding the network to 20 airports) opens Saudi-Europe lanes and cross-selling opportunity (~16% of 2027e cargo volume). While geopolitical tensions remain near-term risks, the company's geographical diversification and operating flexibility should help mitigate any disruptions. Accordingly, we expect cargo volume (incl. SAL Liège) to grow at a CAGR of ~11.5% over 2025-30e (8.1% ex-SAL Liège), which, along with the disciplined pricing (+21% y/y in 1H26 on a favorable mix) aided by updated terminal handling charges (effective from 1 June 2026) should drive cargo revenue at an ~11% CAGR over 2025-30e.

Logistics: A major medium-term growth catalyst for the business: We expect Logistics (+16% y/y in 1H26) to become an important growth driver, aided by a diversifying base across freight forwarding, trucking and contract logistics, alongside an expanded customer base (signed a deal with Medlog, Saudia Technic and SGS in 1H26). Notably, SAL is expanding its warehouse capacity from ~46k sqm in 2025 to ~160k sqm (ex-inorganic growth) over the medium term, driven by a planned 34.3k sqm addition at Jeddah Islamic Port, 40k sqm under the "Zone" logistics hub initiative, and 40k sqm of other logistics pipeline, at a combined capex of SAR203mn.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	1,634	1,708	2,052	2,281	2,645
Revenue growth	*12.2%*	*4.6%*	*20.1%*	*11.1%*	*15.9%*
Gross Profit	915	962	1,166	1,267	1,430
Gross profit margin	*56.0%*	*56.3%*	*56.8%*	*55.5%*	*54.1%*
EBITDA	815	839	979	1,096	1,276
EBITDA margin	*49.9%*	*49.1%*	*47.7%*	*48.0%*	*48.3%*
Net profit	661	698	764	798	860
Net profit margin	*40.5%*	*40.8%*	*37.2%*	*35.0%*	*32.5%*
Net profit growth	*29.8%*	*5.5%*	*9.5%*	*4.4%*	*7.7%*
EPS (SAR)	8.3	8.7	9.6	10.0	10.7
DPS (SAR)	6.0	6.5	7.2	7.5	8.1
P/E	20.3x	19.2x	17.6x	16.8x	15.6x
EV/EBITDA	16.9x	16.4x	14.0x	12.5x	10.8x

Source: Company data, GIB Capital

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This improves medium-term revenue visibility and scalability, with the division likely to post a 20% revenue CAGR over 2025-30e, thereby lifting its share of group revenue to ~19% by 2030e from ~15% in 2025.

SAL Zones to support long-term value creation: SAL Zones (a SAR4.1bn integrated logistics park at Falcon City with 890k sqm of capacity) remains the company's largest long-term strategic initiative, designed to diversify revenue beyond cargo handling through steady leasing income from Grade-A warehouses. The project will roll out in two phases. Phase 1, covering roughly 350-400k sqm (~40 to 45% of the total ~890k sqm capacity), is set for completion by 2027e. Phase 2, covering the remaining, is expected to be finalized by 2030e. We note that phasing remains flexible, particularly for build-to-suit (BTS) developments, which will depend on specific business cases and customer requirements. On pre-built warehouses, the rollout is being accelerated, with 5 planned under Phase 1 and 4 under Phase 2, averaging ~33k sqm each. Conservatively, we expect this project to start generating revenue from 2028e, reaching SAR250-392mn (after adjusting for inter-segment) by 2030-31e, thereby contributing ~7-10% of total revenue. Despite the low-risk leasing income profile and high EBITDA margin (90%+ at stabilization), we derive an implied IRR of ~9%, towards the lower end of management's 8–11.4% guidance range, primarily due to elevated capex and the gradual ramp-up of operations.

Margin compression and leverage costs to cap earnings growth: Overall, we expect the total revenue to grow at ~15% CAGR over 2025-30e, driven by steady growth in Cargo Handling, faster expansion in Logistics, the SAL Liège acquisition, and SAL Zones coming online. However, earnings are expected to rise at a slower pace of ~11% CAGR, as operating margins are expected to come down gradually from 42.6% in 2025 to below 40% by 2030e, primarily due to a change in cargo mix, consolidation of lower-margin SAL Liège business, rising contribution of lower-margin logistics business, higher expansion-led variable logistics costs, and increased strategic development costs. Further, we revise our financial cost forecasts upward to factor in the SAR1bn Sukuk issuance and elevated leverage driven by the SAR4bn investment in the logistics park (net debt to EBITDA reaching 2.2x by 2029e vs. 0.1x in 2025), limiting earnings growth.

Valuation and risks: After revising our estimates, we raise our TP to SAR198/sh. (SAR193/sh. earlier), based on an equal mix of DCF and P/E-based valuation methods, indicating ~17% upside potential and an Overweight rating. In our DCF analysis, using a WACC of 9.6%, we arrive at a 1-year forward TP of SAR206/share. For relative valuation, we use a multiple of 19x on 2027e EPS, leading to a 1-year forward TP of SAR190/share. Downside risks include the geopolitical risk stemming from the Middle East conflict, which could affect the handling volumes, slower-than-expected growth in cargo volumes, substantial front-loaded capex versus delayed revenue recognition, and non-renewal of contracts.

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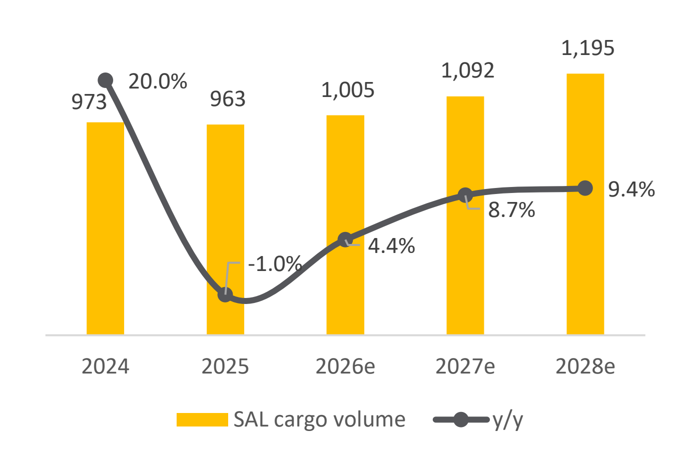
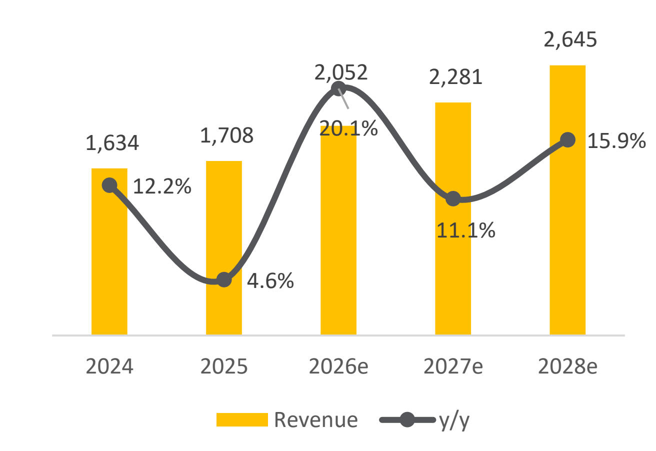
Key Charts for SAL

Figure 2: SAL cargo volumes forecast (000 tons)



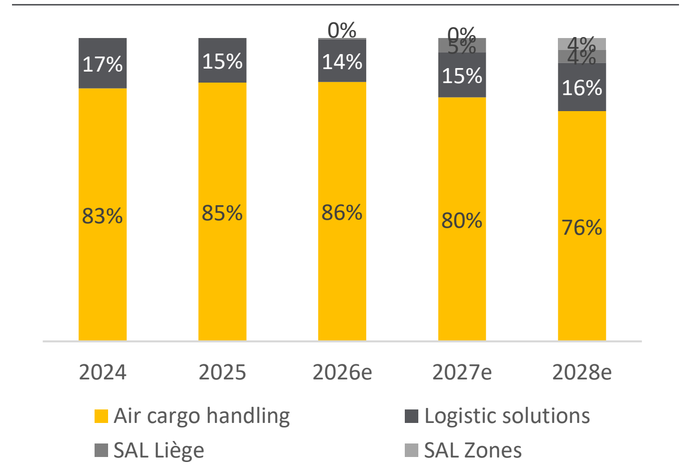
Source: Company data, GIB Capital

Figure 3: SAL's revenue growth (SARmn)



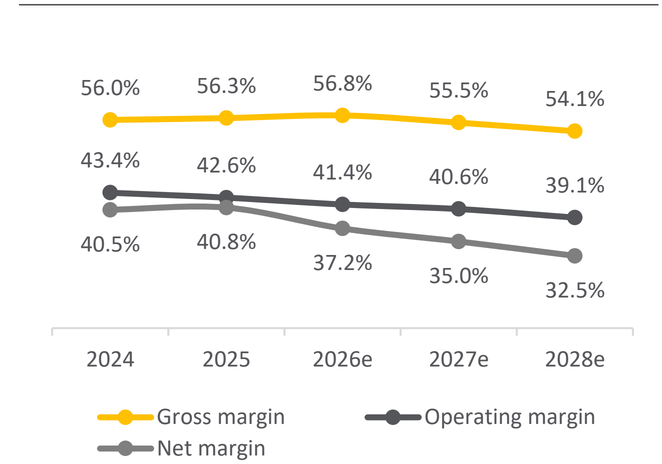
Source: Company data, GIB Capital

Figure 4: SAL's segmental revenue mix



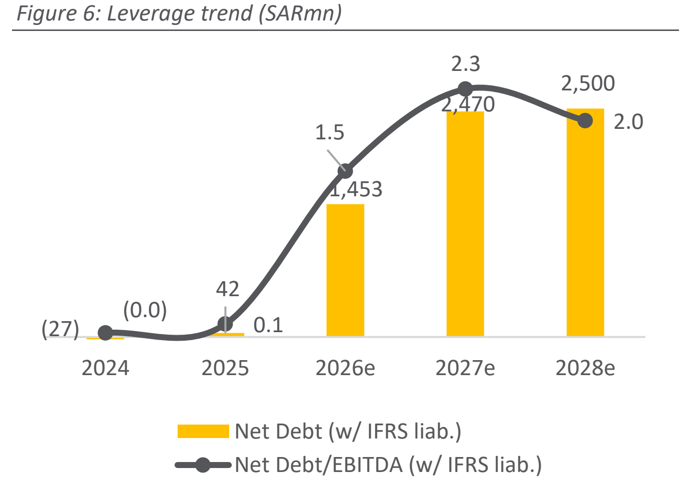
Source: Company data, GIB Capital

Figure 5: Trend in SAL's margins



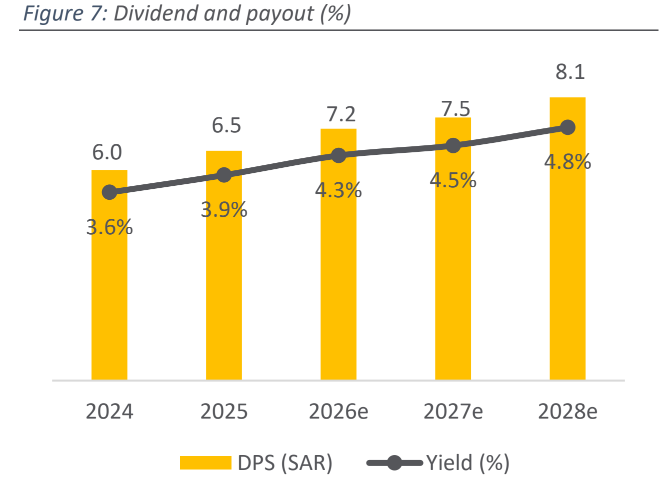
Company data, GIB Capital

Figure 6: Leverage trend (SARmn)



Source: Company data, GIB Capital

Figure 7: Dividend and payout (%)



Source: Company data, GIB Capital

Financials

Figure 8: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e	2028e
Revenue	**1,634**	**1,708**	**2,052**	**2,281**	**2,645**
revenue y/y	*12.2%*	*4.6%*	*20.1%*	*11.1%*	*15.9%*
COGS	719	746	887	1,014	1,215
Gross Profit	**915**	**962**	**1,166**	**1,267**	**1,430**
Gross Profit margin	*56.0%*	*56.3%*	*56.8%*	*55.5%*	*54.1%*
Selling and distribution expenses	48	42	53	59	69
General and administrative expenses	176	196	250	278	323
Operating profit	**709**	**727**	**849**	**926**	**1,035**
Operating margin	*43.4%*	*42.6%*	*41.4%*	*40.6%*	*39.1%*
Finance costs, net	15	(9)	41	82	125
PBT	**694**	**737**	**809**	**845**	**910**
Zakat/tax	33	39	44	46	50
Net income	**661**	**698**	**764**	**798**	**860**
Net margin	*40.5%*	*40.8%*	*37.2%*	*35.0%*	*32.5%*
y/y	*29.8%*	*5.5%*	*9.5%*	*4.4%*	*7.7%*
EPS	**8.3**	**8.7**	**9.6**	**10.0**	**10.7**
DPS	6.0	6.5	7.2	7.5	8.1
Payout	72%	75%	75%	75%	75%
EBITDA	**815**	**839**	**979**	**1,096**	**1,276**
EBITDA Margin	*49.9%*	*49.1%*	*47.7%*	*48.0%*	*48.3%*

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Trade receivables	480	385	478	531	616
Prepayments and other current assets	113	116	164	171	185
Cash and cash equivalents	1,362	1,542	1,070	520	1,119
Total Current Assets	**1,978**	**2,053**	**1,723**	**1,233**	**1,931**
Property and equipment	720	808	2,405	3,681	3,976
Right-of-use assets	523	846	791	740	692
Total Non-Current Assets	**1,254**	**1,676**	**3,220**	**4,448**	**4,700**
Total Assets	**3,232**	**3,729**	**4,943**	**5,682**	**6,631**
Current Liabilities	487	516	715	833	1,005
Non-current Liabilities	1,343	1,591	2,414	2,836	3,398
Equity	1,402	1,622	1,813	2,013	2,228
Total Equity and Liabilities	**3,232**	**3,729**	**4,943**	**5,682**	**6,631**
BVPS	17.5	20.3	22.7	25.2	27.8

Cashflow	2024a	2025a	2026e	2027e	2028e
Cashflow from Operations	791	957	979	1,127	1,265
Cashflow from Investing	432	(144)	(1,673)	(1,399)	(493)
Cashflow from Financing	(572)	(634)	222	(279)	(173)
Total Cashflows	**652**	**180**	**(472)**	**(550)**	**599**

Source: Company data, GIB Capital

Figure 9: Key ratios

Key ratios	2024a	2025a	2026e	2027e	2028e
Profitability ratios					
RoA	20.5%	18.7%	15.5%	14.0%	13.0%
RoE	47.2%	43.0%	42.1%	39.7%	38.6%
Sales/Assets	50.5%	45.8%	41.5%	40.2%	39.9%
Net margin	40.5%	40.8%	37.2%	35.0%	32.5%
Liquidity ratios					
Current Assets/ Current Liabilities	4.1	4.0	2.4	1.5	1.9
Receivable Days	107	82	85	85	85
Payable days	65	58	60	60	60
Cash conversion cycle	43	24	25	25	25
Debt ratios					
Net Debt/EBITDA (w/o IFRS liab.)	-0.9	-1.2	0.4	1.3	1.1
Net Debt/EBITDA (w/ IFRS liab.)	0.0	0.1	1.5	2.3	2.0
Debt/Assets (w/o IFRS liab.)	0.2	0.2	0.3	0.3	0.4
Net Debt/Equity (w/o IFRS liab.)	-0.5	-0.6	0.2	0.7	0.6
Net Debt/Equity (w/ IFRS liab.)	0.0	0.0	0.8	1.2	1.1
Valuation ratios					
P/E (x)	20.3	19.2	17.6	16.8	15.6
P/B (x)	9.6	8.3	7.4	6.7	6.0
EV/EBITDA (x)	16.9	16.4	14.0	12.5	10.8
FCF Yield	0.8%	0.8%	-6.1%	-2.7%	5.3%
Dividend Yield	3.6%	3.9%	4.3%	4.5%	4.8%

Source: Company data, GIB Capital

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