

**Target Price: SAR193/share**  
Current Price: SAR176/share  
Upside: ~9% (+Div. Yield: 3.3%)  
**Rating: Neutral**

## SAL Saudi Logistics Services (SAL)

*Cargo volumes to normalize in 2025e; Reduce TP to SAR193/sh.*

- Following a Red Sea disruption-driven surge in 2024, SAL's air cargo handling is likely to normalize in 2025e, with logistics business positioned for continued growth.
- We cut our top-line estimates by 18-21% on lower cargo volume and prices, and bottom-line estimates by 23% on lower margins for 2025-26e.
- Based on DCF and P/E valuation methods, we revise our TP to SAR193/sh. (SAR251 TP earlier), implying an upside of ~9% with a Neutral rating.

**Cargo volume to normalize in 2025 before improving from 2026e:** SAL's cargo volumes rose by 20% y/y in 2024 (31% y/y in 1Q24), primarily due to supply chain disruptions resulting from conflicts in the Red Sea. However, volume started normalizing from 2H24 (+26% y/y in 1H24; +15% y/y in 2H24), coinciding with the easing of these disruptions. Going forward, we anticipate a further normalization in volumes in 2025e, mainly driven by: i) easing supply chain disruptions, ii) recent quarterly volume trends and management indications, reflecting evolving market dynamics, and iii) heightened competitive pressure resulting in a lower market share (92% in 2024 vs 95% in 2023). Nonetheless, we expect cargo volume to improve from 2026e onwards (+9.6% CAGR over 2025-30e), aided by capacity expansion (from 850k tons currently to 1.8-2.0mn tons by 2027e) and healthy demand. Overall, we have revised our cargo volume forecast for SAL downwards, now projecting an 8.7% CAGR for 2024-28e (vs. +11.7% CAGR earlier). This, coupled with recent price concessions to key customers impacting blended air cargo revenue per ton, resulted in a downward revision of our air cargo revenue growth forecast. Accordingly, we expect air cargo revenue to grow at 8.1% CAGR for 2024-28e (vs. +11.9% CAGR earlier).

**The logistics business is gearing up for future growth:** We acknowledge the segment's strategic importance to the company's future revenue mix. The company is actively investing in its logistics and fulfillment capabilities to drive topline growth and diversification in the long term. This includes a 30-year land lease preliminary agreement (SAR16 per sqm of annual rent with annual inflation escalation of 1.5%) with Sela to develop, construct and operate a 1.56mn sqm logistics park in Falcon City with an estimated investment of SAR4bn. This project will roll out in phases, with the first phase, covering 700ksqm, set for completion in 2027e and the entire project expected to be finalized by 2031e.

Figure 1: Key financial metrics

SARmn	2022a	2023a	2024a	2025e	2026e
Revenue	1,223	1,456	1,634	1,691	1,879
Revenue growth	27.1%	19.1%	12.2%	3.5%	11.1%
Gross Profit	591	776	915	910	1,023
Gross Profit margin	48.3%	53.3%	56.0%	53.8%	54.4%
EBITDA	545	721	815	788	890
EBITDA margin	44.6%	49.5%	49.9%	46.6%	47.4%
Net profit	362	510	661	620	708
Net profit margin	29.6%	35.0%	40.5%	36.7%	37.7%
EPS (SAR)	4.53	6.37	8.27	7.75	8.85
P/E	38.9x	27.6x	21.3x	22.7x	19.9x

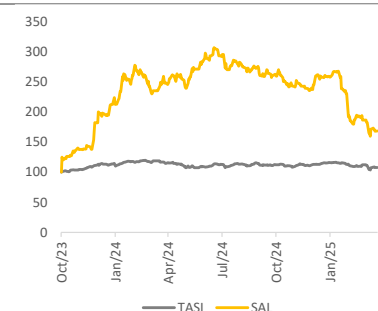
Source: Company data, GIB Capital

### Stock data

TASI ticker	4263
Mcap (SARmn)	14,080
Trd. Val (3m) (SARmn)	72.2
Free float	30.0%
QFI holding	6.0%
TASI FF weight	0.33%

Source: Bloomberg

### Prices indexed to 100



Source: Bloomberg

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However, as of now, we do not factor in these plans in our forecasts as well as valuation, given that these are still at the preliminary planning stage. These would act as upside risks to our estimates and valuation.

Currently, the overall logistics market is experiencing slower-than-anticipated growth with a gradual improvement in utilization (mainly fulfillment). Consequently, we expect the logistics segment revenue to grow at a 14.1% CAGR (~16.9% CAGR earlier) over 2024-28e, aided by expanding storage facilities, freight forwarding & supply chain solutions.

**Change in estimates:** Post downward revision in cargo volume forecasts, lower pricing, and slower than expected growth in the logistics segment, we cut our 2025-2026e top-line forecast by 18-21%. We also adjust our gross margin estimates downwards, reflecting a downward revision in the air cargo business revenue and a higher share of low-margin logistics business in the total revenue mix. We now expect our gross margins at 53.8% in 2025e (vs. 54.9% previously) and 54.4% in 2026e (vs. 54.6% previously). This, along with higher operating expenses due to ongoing investments in capabilities and brand presence, also led to a downward revision in our net profit estimate. Overall, we now expect earnings to grow at a CAGR of 6.9% over 2024-28e (vs. +11.8% CAGR earlier).

Figure 2: Revision in our estimates

SARmn	2025e			2026e		
	Current	Earlier	% change	Current	Earlier	% change
Revenue	1,691	2,051	-18%	1,879	2,367	-21%
Revenue growth	3.5%	15.7%		11.1%	15.4%	
Gross Profit	910	1,125	-19%	1,023	1,293	-21%
Gross margin	53.8%	54.9%		54.4%	54.6%	
Operating Profit	666	864	-23%	754	992	-24%
Operating margin	39.4%	42.1%		40.1%	41.9%	
EBITDA	788	993	-21%	890	1,136	-22%
EBITDA margin	46.2%	48.4%		46.6%	48.0%	
Net profit	620	800	-23%	708	925	-23%
Net margin	36.7%	39.0%		37.7%	39.0%	

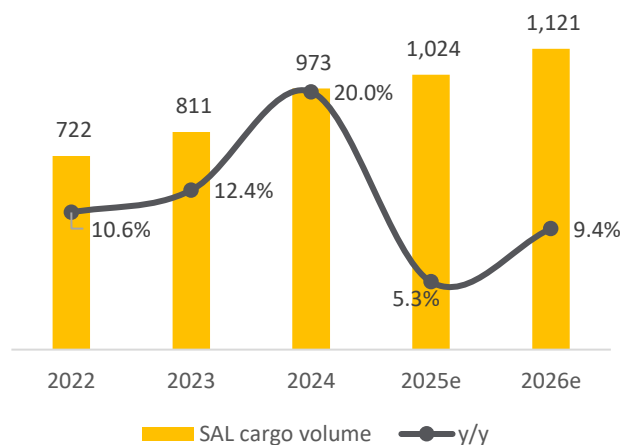
Source: Company data, GIB Capital

**1Q25e preview:** SAL's revenue is projected to decrease by 9.3% y/y to SAR410mn in 1Q25e. This anticipated decline is largely due to the strong 1Q24 performance, boosted by Red Sea crisis-related tailwinds. Lower air cargo volumes are expected to shift the revenue mix towards the logistics segment. Given the relatively fixed cost structure of the air cargo business, this revenue contraction will likely lead to gross margin compression, estimated at ~53% for 1Q25e, with an operating margin of ~40%. Consequently, we expect SAL's earnings to normalize in 1Q25e, with profit declining by 26.6% y/y to SAR153mn.

**Valuation and risks:** SAL's share price has declined by ~30% YTD, with the stock declining significantly since the announcement of 2024 results in early February 2025. The stock is currently trading at a 1-year forward P/E of 22x. We use an equal mix of DCF and P/E-based valuation methods for valuing the company. For relative valuation, we use a multiple of 23x on 2025e EPS, leading to a 1-year forward TP of SAR198/share. In our DCF analysis, using a WACC of 9.6%, we arrive at a 1-year forward TP of SAR187/share. By averaging both approaches, we derive a blended TP of SAR193/share (SAR251 TP earlier), indicating ~9% upside potential and a Neutral rating. Downside risks include global recession, slower-than-expected growth in cargo volumes, weaker-than-expected prices, heightened competition, delay in expansion plans, early termination or non-renewal of contracts, and geopolitical risks.

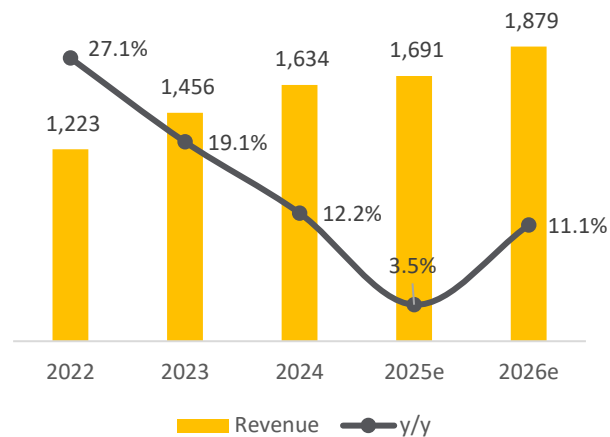
## Key Charts for SAL

Figure 3: SAL cargo volumes forecast ('000 tons)



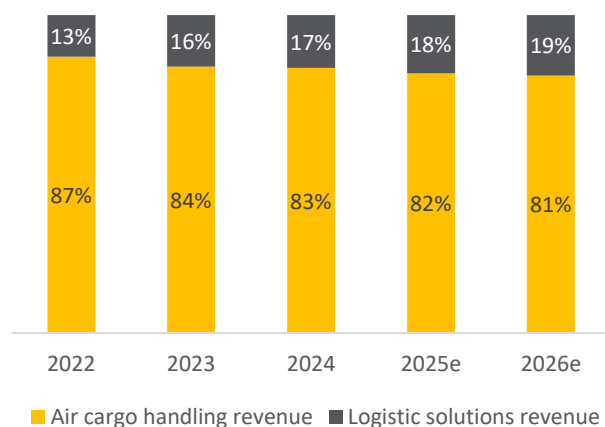
Source: Company data, GiB Capital

Figure 4: SAL's revenue growth (SARmn)



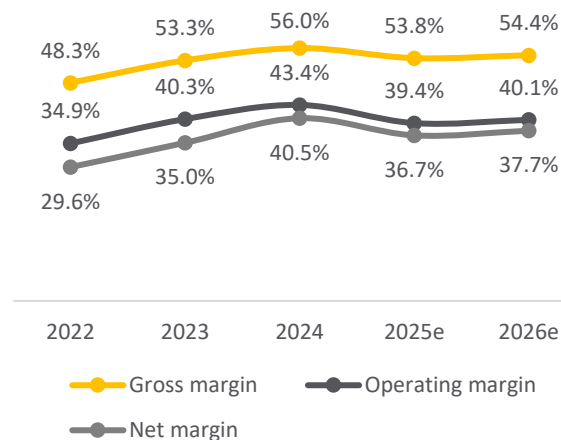
Source: Company data, GiB Capital

Figure 5: SAL's segmental revenue mix



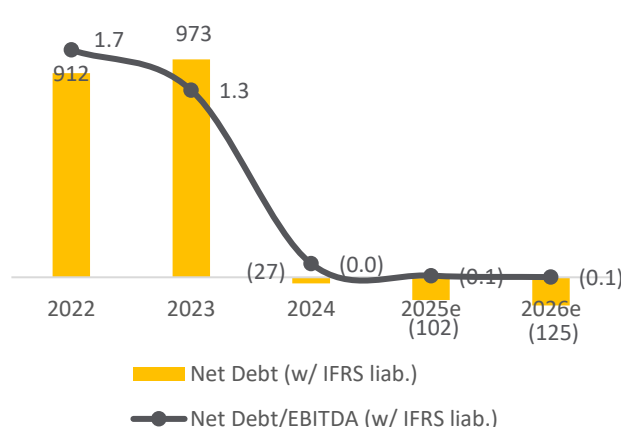
Source: Company data, GiB Capital

Figure 6: Trend in SAL's margins



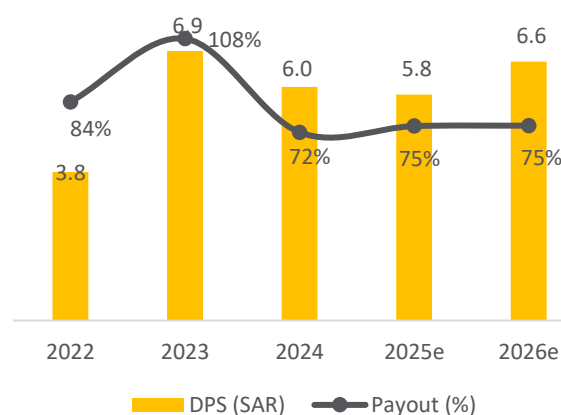
Company data, GiB Capital

Figure 7: Leverage trend (SARmn)



Source: Company data, GiB Capital

Figure 8: Dividend and payout (%)



Source: Company data, GiB Capital

## Financials

Figure 9: Summarized basic financial statements (SARmn)

Income statement	2022a	2023a	2024a	2025e	2026e
<b>Revenue</b>	<b>1,223</b>	<b>1,456</b>	<b>1,634</b>	<b>1,691</b>	<b>1,879</b>
revenue y/y	27.1%	19.1%	12.2%	3.5%	11.1%
COGS	632	680	719	781	856
<b>Gross Profit</b>	<b>591</b>	<b>776</b>	<b>915</b>	<b>910</b>	<b>1,023</b>
Gross Profit margin	48.3%	53.3%	56.0%	53.8%	54.4%
Selling and distribution expenses	30	33	48	51	58
General and administrative expenses	131	142	176	183	204
<b>Operating profit</b>	<b>427</b>	<b>586</b>	<b>709</b>	<b>666</b>	<b>754</b>
Operating margin	34.9%	40.3%	43.4%	39.4%	40.1%
Finance costs, net	56	36	15	13	8
<b>PBT</b>	<b>370</b>	<b>551</b>	<b>694</b>	<b>653</b>	<b>746</b>
Zakat/tax	8	41	33	33	37
<b>Net income</b>	<b>362</b>	<b>510</b>	<b>661</b>	<b>620</b>	<b>708</b>
Net margin	29.6%	35.0%	40.5%	36.7%	37.7%
y/y	31.5%	40.6%	29.8%	-6.2%	14.2%
<b>EPS</b>	<b>4.5</b>	<b>6.4</b>	<b>8.3</b>	<b>7.8</b>	<b>8.9</b>
DPS	3.8	6.9	6.0	5.8	6.6
Payout	84%	108%	72%	75%	75%
<b>EBITDA</b>	<b>545</b>	<b>721</b>	<b>815</b>	<b>788</b>	<b>890</b>
EBITDA Margin	44.6%	49.5%	49.9%	46.6%	47.4%

Balance Sheet	2022a	2023a	2024a	2025e	2026e
Trade receivables	233	391	480	463	515
Prepayments and other current assets	147	51	113	85	94
Cash and cash equivalents	940	710	1,362	1,406	1,340
<b>Total Current Assets</b>	<b>1,351</b>	<b>1,664</b>	<b>1,978</b>	<b>1,976</b>	<b>1,971</b>
Property and equipment	705	709	720	900	1,093
Right-of-use assets	1,213	886	523	475	433
<b>Total Non-Current Assets</b>	<b>1,932</b>	<b>1,621</b>	<b>1,254</b>	<b>1,385</b>	<b>1,532</b>
<b>Total Assets</b>	<b>3,284</b>	<b>3,285</b>	<b>3,232</b>	<b>3,361</b>	<b>3,503</b>
Current Liabilities	344	385	487	473	503
Non-current Liabilities	1,866	1,665	1,343	1,329	1,264
Equity	1,073	1,234	1,402	1,558	1,736
<b>Total Equity and Liabilities</b>	<b>3,284</b>	<b>3,285</b>	<b>3,232</b>	<b>3,361</b>	<b>3,503</b>
BVPS	13.4	15.4	17.5	19.5	21.7

Cashflow	2022a	2023a	2024a	2025e	2026e
Cashflow from Operations	556	696	796	860	897
Cashflow from Investing	282	(596)	428	(252)	(283)
Cashflow from Financing	(389)	(329)	(572)	(564)	(679)
<b>Total Cashflows</b>	<b>448</b>	<b>(230)</b>	<b>652</b>	<b>44</b>	<b>(65)</b>

Source: Company data, GIB Capital

Figure 10: Key ratios

Key ratios	2022a	2023a	2024a	2025e	2026e
<b>Profitability ratios</b>					
RoA	11.0%	15.5%	20.5%	18.5%	20.2%
RoE	33.8%	41.3%	47.2%	39.8%	40.8%
Sales/Assets	37.2%	44.3%	50.5%	50.3%	53.6%
Net margin	29.6%	35.0%	40.5%	36.7%	37.7%
<b>Liquidity ratios</b>					
Current Assets/ Current Liabilities	3.9	4.3	4.1	4.2	3.9
Receivable Days	70	98	107	100	100
Payable days	38	24	65	50	50
Cash conversion cycle	32	74	43	50	50
<b>Debt ratios</b>					
Net Debt/EBITDA (w/o IFRS liab.)	-0.8	-0.1	-0.9	-1.0	-0.9
Net Debt/EBITDA (w/ IFRS liab.)	1.7	1.3	0.0	-0.1	-0.1
Debt/Assets (w/o IFRS liab.)	0.2	0.2	0.2	0.2	0.2
Net Debt/Equity (w/o IFRS liab.)	-0.4	-0.1	-0.5	-0.5	-0.4
Net Debt/Equity (w/ IFRS liab.)	0.8	0.8	0.0	-0.1	-0.1
<b>Valuation ratios</b>					
P/E	38.9	27.6	21.3	22.7	19.9
P/B	13.1	11.4	10.0	9.0	8.1
EV/EBITDA	25.9	19.6	17.4	18.0	15.9
FCF Yield	0.0%	3.7%	4.9%	3.8%	3.9%
Dividend Yield	2.2%	3.9%	3.4%	3.3%	3.8%

Source: Company data, GIB Capital

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