

**Target Price: SAR251/share**  
Current Price: SAR290/share  
Downside: 13% (+Div. Yield: 2.2%)  
**Rating: Underweight**

## SAL Saudi Logistics Services (SAL)

### Positive fundamentals priced in; Remain Underweight

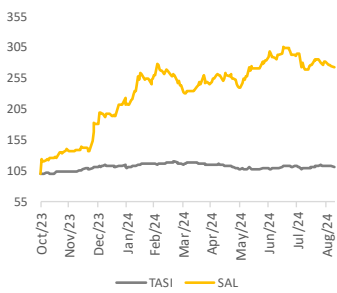
- SAL is poised to be the primary direct beneficiary of the strong macroeconomic scenario that will unfold over the decade, driven by ambitious Vision 2030 initiatives.
- Considering favorable macro dynamics, dominant market position, 1H24 performance, we revise our volume estimates upwards to 13.9% CAGR over 2023-28e (6.3% earlier).
- We raise our TP to SAR251/sh. (SAR190/sh. earlier) based on DCF and P/E valuation methods. The stock is up ~49% YTD and is trading at an expensive 29x P/E on our 2025e EPS, implying the positive fundamentals are already priced in. Hence, we remain UW.

#### Stock data

TASI ticker	4263
Mcap (SARmn)	23,168
Trd. Val (3m) (SARmn)	104.5
Free float	30.0%
QFI holding	5.5%
TASI FF weight	0.53%

Source: Bloomberg

#### Prices indexed to 100



Source: Bloomberg

**Favorable macro-dynamics to support volume growth:** KSA's macroeconomic outlook remains strong for the decade, underpinned by the Vision 2030 initiatives. The government's push to position KSA as a regional logistics hub is expected to drive significant air cargo volume growth over the coming years. SAL, with its dominant market share (~95%), is well-positioned to capitalize on this favorable macro landscape. Additionally, we have revised our market share estimates upwards, expecting a slower decline due to the relatively stable competitive landscape. SAL's recent contract with Air China, along with government discussions around launching a new cargo airline with Boeing and Airbus, further bolsters its growth prospects. Given SAL's strong 1H24 volume growth (+26% y/y) and the rising share of e-commerce and general cargo in the mix, we now see SAL's volume growth as more sustained and structural. Consequently, we have revised our cargo volume growth projection to a 13.9% CAGR for 2023-28e (+6.3% CAGR earlier), aided by its favorable market dynamics, robust market shares, presence across the 18 KSA airports, strong relationship with Saudia, and robust capex plans.

**Higher volumes to underpin revenue growth and margin expansion:** SAL's business model is supported by a strong competitive moat, with revenue growth driven by volume expansion and stable revenue/ton due to largely fixed-rate contracts. Additionally, its fixed cost structure provides strong operating leverage, allowing topline growth to directly improve margins and profitability. We expect SAL's top line to grow at a CAGR of 14.6% over the period 2023-28e (vs. +9.2% CAGR previously), primarily driven by Air Cargo segment growth (+13.2% CAGR vs. 6.0% earlier). Accordingly, we revise our gross margin estimates to an average of ~54.5% (~50% earlier), resulting in a 17% earnings growth (+7% CAGR earlier) over 2023-28e.

Figure 1: Key financial metrics

SARmn	2022a	2023a	2024e	2025e	2026e
Revenue	1,223	1,456	1,773	2,051	2,367
Revenue growth	27.1%	19.1%	21.8%	15.7%	15.4%
Gross Profit	591	776	976	1,125	1,293
Gross Profit margin	48.3%	53.3%	55.0%	54.9%	54.6%
EBITDA	545	721	892	993	1,136
EBITDA margin	44.6%	49.5%	50.3%	48.4%	48.0%
Net profit	362	510	715	800	925
Net profit margin	29.6%	35.0%	40.3%	39.0%	39.1%
EPS (SAR)	4.53	6.37	8.94	10.00	11.56
P/E	63.9x	45.5x	32.4x	29.0x	25.1x

Source: Company data, GIB Capital

Kunal Doshi

+966-11-834 8372

[Kunal.doshi@gibcapital.com](mailto:Kunal.doshi@gibcapital.com)

**Fulfillment business started operation in June:** SAL's fulfillment business began operations in June 2024 with a pilot project in Dammam (11,000 sqm of ambient storage), offering warehousing and transportation services. Following its success, SAL also plans to open a fulfillment center in Riyadh (44,000 sqm ambient storage) by 3Q24 and Jeddah (62,000 sqm multi-type storage) by 2Q25. Although the immediate financial impact is expected to be limited, these expansions will enhance SAL's ability to provide comprehensive solutions and yield synergies within its logistic solution business. Accordingly, we now add fulfillment segment revenue to our forecasts, which we project to rise by 26.8% CAGR between 2024-28e.

### Change in estimates:

Figure 2: Revision in our estimates

SARmn	2024e			2025e		
	Current	Earlier	% change	Current	Earlier	% change
Revenue	1,773	1,809	-2%	2,051	1,806	14%
Revenue growth	22%	24%		16%	0%	
Gross Profit	976	1,001	-3%	1,125	905	24%
Gross Profit margin	55%	55%		55%	50%	
EBITDA	892	937	-5%	978	858	14%
EBITDA margin	50%	52%		48%	47%	
Net profit	715	700	2%	800	618	29%
Net profit margin	40%	39%		39%	34%	

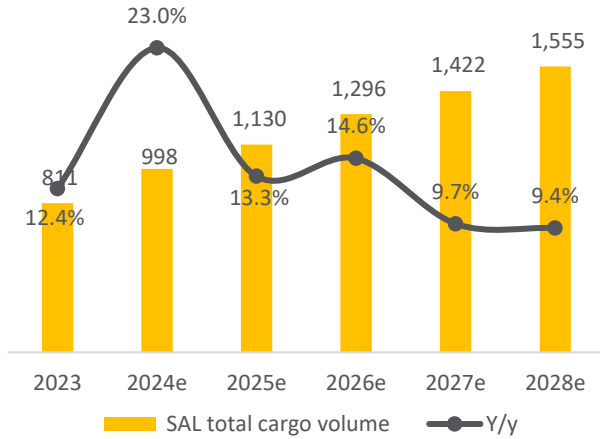
Source: Company data, GIB Capital

**Valuation and risks:** We use an equal mix of DCF and P/E-based valuation methods for valuing the company. For relative valuation, we have revised our multiple to 25x on the average 2024-25e EPS, leading to a 1-year forward TP of SAR263/share. In our DCF analysis, using a WACC of 9.2% (unchanged), we arrive at a 1-year forward TP of SAR240/share. By averaging both approaches, we derive a blended TP of SAR251/share, indicating approximately 13% downside potential. The stock is currently trading at a P/E of 29x on our 2025e EPS, significantly higher than its global peers (15-17x median P/E). While the company deserves to trade at a premium due to its considerably higher margins compared to its global peers (SAL's 2023 EBITDA margin was ~50%, well above the global median of ~28%), we believe that the positive fundamentals are already fully priced in following a 49% run-up in stock price YTD. Hence, we remain Underweight on the stock.

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.

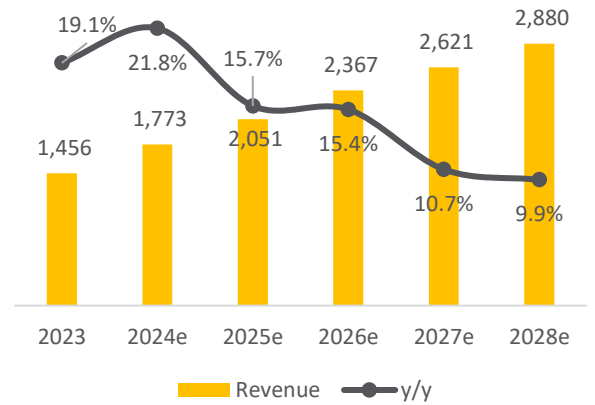
## Key Charts for SAL

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



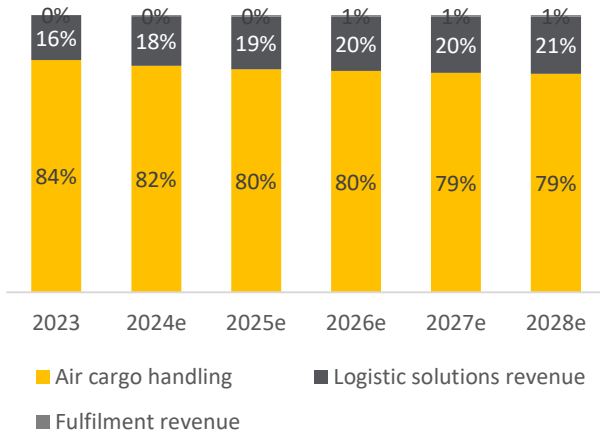
Source: Company data, GIB Capital

Figure 4: SAL's revenue growth (SARmn)



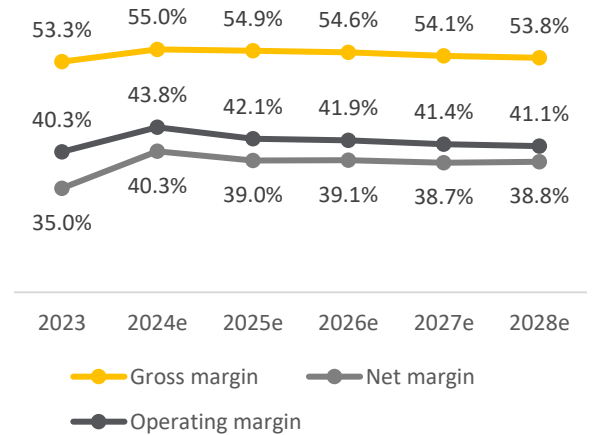
Source: Company data, GIB Capital

Figure 5: SAL's segmental revenue mix



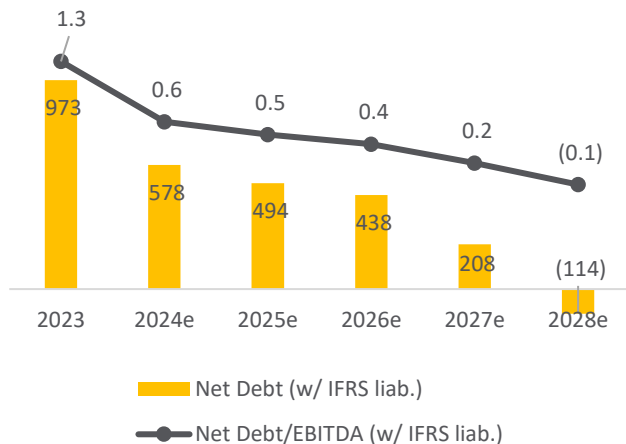
Source: Company data, GIB Capital

Figure 6: Trend in SAL's margins



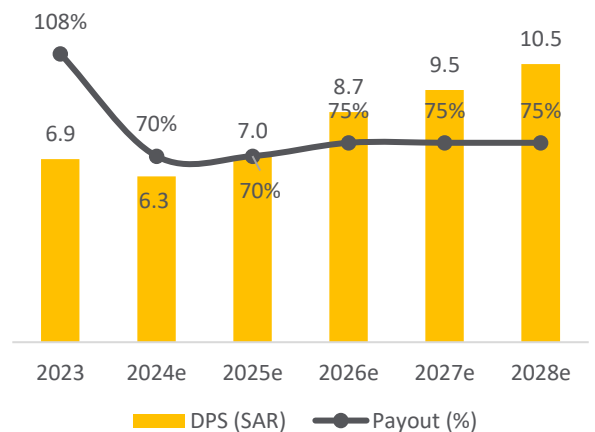
Company data, GIB Capital

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	2024e	2025e	2026e
<b>Revenue</b>	<b>1,223</b>	<b>1,456</b>	<b>1,773</b>	<b>2,051</b>	<b>2,367</b>
revenue y/y	27%	19%	22%	16%	15%
COGS	632	680	797	926	1,074
<b>Gross Profit</b>	<b>591</b>	<b>776</b>	<b>976</b>	<b>1,125</b>	<b>1,293</b>
Gross Profit margin	48%	53%	55%	55%	55%
Selling and distribution expenses	30	33	53	62	71
General and administrative expenses	131	142	177	205	237
<b>Operating profit</b>	<b>427</b>	<b>586</b>	<b>777</b>	<b>864</b>	<b>992</b>
Operating margin	35%	40%	44%	42%	42%
Finance costs, net	56	36	20	18	14
<b>PBT</b>	<b>370</b>	<b>551</b>	<b>757</b>	<b>847</b>	<b>979</b>
Zakat/tax	8	41	42	47	54
<b>Net income</b>	<b>362</b>	<b>510</b>	<b>715</b>	<b>800</b>	<b>925</b>
Net margin	30%	35%	40%	39%	39%
y/y	32%	41%	40%	12%	16%
<b>EPS</b>	<b>4.5</b>	<b>6.4</b>	<b>8.9</b>	<b>10.0</b>	<b>11.6</b>
DPS	3.8	6.9	6.3	7.0	8.7
Payout	84%	108%	70%	70%	75%
<b>EBITDA</b>	<b>545</b>	<b>721</b>	<b>892</b>	<b>993</b>	<b>1,136</b>
EBITDA Margin	45%	50%	50%	48%	48%

Balance Sheet	2022a	2023a	2024e	2025e	2026e
Trade receivables	233	391	486	562	649
Prepayments and other current assets	147	51	89	103	118
Cash and cash equivalents	940	710	707	746	737
<b>Total Current Assets</b>	<b>1,351</b>	<b>1,664</b>	<b>1,794</b>	<b>1,922</b>	<b>2,016</b>
Property and equipment	705	709	855	1,024	1,206
Right-of-use assets	1,213	886	484	440	401
<b>Total Non-Current Assets</b>	<b>1,932</b>	<b>1,621</b>	<b>1,365</b>	<b>1,492</b>	<b>1,635</b>
<b>Total Assets</b>	<b>3,284</b>	<b>3,285</b>	<b>3,159</b>	<b>3,414</b>	<b>3,651</b>
Current Liabilities	344	385	404	445	492
Non-current Liabilities	1,866	1,665	1,306	1,280	1,239
Equity	1,073	1,234	1,449	1,689	1,920
<b>Total Equity and Liabilities</b>	<b>3,284</b>	<b>3,285</b>	<b>3,159</b>	<b>3,414</b>	<b>3,651</b>
BVPS	13.4	15.4	18.1	21.1	24.0

Cashflow	2022a	2023a	2024e	2025e	2026e
Cashflow from Operations	556	696	832	969	1,096
Cashflow from Investing	282	(596)	(215)	(256)	(287)
Cashflow from Financing	(389)	(329)	(620)	(674)	(817)
<b>Total Cashflows</b>	<b>448</b>	<b>(230)</b>	<b>(3)</b>	<b>38</b>	<b>(8)</b>

Source: Company data, GIB Capital

Figure 10: Key ratios

Key ratios	2022a	2023a	2024e	2025e	2026e
<b>Profitability ratios</b>					
RoA	11%	16%	23%	23%	25%
RoE	34%	41%	49%	47%	48%
Sales/Assets	37%	44%	56%	60%	65%
Net margin	30%	35%	40%	39%	39%
<b>Liquidity ratios</b>					
Current Assets/ Current Liabilities	3.9	4.3	4.4	4.3	4.1
Receivable Days	70	98	100	100	100
Payable days	38	24	24	24	24
Cash conversion cycle	32	74	76	76	76
<b>Debt ratios</b>					
Net Debt/EBITDA (w/o IFRS liab.)	-0.8	-0.1	-0.2	-0.2	-0.2
Net Debt/EBITDA (w/ IFRS liab.)	1.7	1.3	0.6	0.5	0.4
Debt/Assets (w/o IFRS liab.)	0.2	0.2	0.2	0.2	0.1
Net Debt/Equity (w/o IFRS liab.)	-0.4	-0.1	-0.1	-0.1	-0.1
Net Debt/Equity (w/ IFRS liab.)	0.8	0.8	0.4	0.3	0.2
<b>Valuation ratios</b>					
P/E	64.0	45.5	32.4	29.0	25.1
P/B	21.6	18.8	16.0	13.7	12.1
EV/EBITDA	43.0	32.6	26.3	23.6	20.6
FCF Yield	0.0%	2.3%	2.4%	2.8%	3.2%
Dividend Yield	1.3%	2.4%	2.2%	2.4%	3.0%

Source: Company data, GIB Capital

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### Contact us for queries:

Sell Side Research Department,  
GIB Capital,  
B1, Granada Business & Residential Park,  
Eastern Ring Road, PO Box 89589, Riyadh 11692  
[www.gibcapital.com](http://www.gibcapital.com)