NAHDI

RESULT ANALYSIS

Q3 2026

Solid topline growth matched by lower margins

Nahdi reported an in-line set of Q3 26 results with the net income increasing by 6.5% yoy (-20.2% qoq) to SAR172mn. This compared to the SNB Capital and consensus of SAR174mn and SAR169mn (range of SAR150mn - SAR184mn), respectively. The topline growth of 9.4% yoy was driven by strong performance across the business segments. However, this was offset by margin contraction as gross margins contracted to 35.5% vs 38.2% in Q3 25 and our estimate of 37.0% due to change in business mix and ongoing strategic investments.

- Revenues increased by 9.4% yoy (+0.7% qoq) to SAR2.69bn and were slightly higher than our estimates of SAR2.60bn. The growth was driven by the retail segment and strong growth momentum in Health care and regional expansion businesses.
- In 9M 26, retail revenues growth was driven by growth in both Pharma and Front shop categories. Health care revenues increased by 23.9% yoy in Q3 26 driven by expansion of polyclinics while regional expansion business grew by 31.4% yoy in Q3 26. Online business contribution increased to 30.6% of retail revenues from 25.7% in 9M 25, supported by continued investments in the digital and AI capabilities. Private label contribution rose to 19.1% of retail revenues vs 17.5% in 9M 25.
- During Q3 26, Nahdi opened a net of two stores to take the total store count to 1,219. Accordingly, our calculated LFL for Q3 26 stood at 9.3% yoy.
- Gross profits increased by 1.7% yoy (-5.0% qoq) to SAR957mn and were in-line with our estimates. Gross margin contracted by 267 bps yoy to 35.5% and came lower than our estimate of 37.0%. The company attributed the decline in margin to a shift in business mix, due to faster growth in Health care and online revenues, and ongoing strategic investments.
- Net opex increased by 1.1% yoy (flat qoq) to SAR761mn, in-line with our estimates of SAR748mn. Accordingly, opex-to-sales decreased to 28.3% vs 30.6% in Q3 25 and our estimate of 28.8%. We believe this was due to accelerated revenue growth and cost efficiencies.
- Net non-opex stood at SAR24.1mn vs SAR26.3mn in Q3 25 and lower than our estimate of SAR37.8mn.

Outlook

Based on our last update, we are Overweight on Nahdi with a PT of SAR109.5. Continued topline growth remains the key positive, while we believe margin contraction and persistent pressure from opex investments are a near-term concern. However, we view these investments as supportive of LT growth, as it would move Nahdi away from its previous business structure that relied solely on retail, which carries higher margins but faces higher competition. We view Nahdi's diversification as favourable. The stock trades at 2027f P/E and EV/EBITDA of 12.5x and 5.5x, vs its peer group average of 16.1x and 8.0x, respectively.

Q3 26 Results Summary (SAR mn)

	Q3 26	Q3 25	% yoy	Q3 26f	% Var^	Q2 26	% qoq
Revenue	2,692	2,461	9.4%	2,595	3.7%	2,674	0.7%
Gross income	957	941	1.7%	960	(0.3)%	1,008	(5.0)%
Gross margin (%)	*35.5%*	*38.2%*	(2.7)%	*37.0%*	(1.5)%	*37.7%*	(2.1)%
EBIT	196	188	4.4%	212	(7.6)%	246	(20.3)%
EBIT margin (%)	*7.3%*	*7.6%*	(0.3)%	*8.2%*	(0.9)%	*9.2%*	(1.9)%
Net income	172	161	6.5%	174	(1.4)%	215	(20.2)%
Net margin (%)	*6.4%*	*6.6%*	(0.2)%	*6.7%*	(0.3)%	*8.0%*	(1.7)%
EPS (SAR)	1.32	1.24	6.5%	1.34	(1.4)%	1.66	(20.2)%

Source: The company, SNB Capital Research

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