Equity Research report
ASTRA AB Equity
12 Aug 2026

Target Price: SAR182.0/share
Current Price: SAR138.1/share
Upside: 31.6% (+Div. Yield: 2.9%)
Rating: Overweight

Astra Industrial Group (Astra)

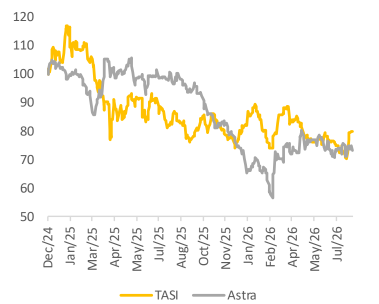
Revised outlook with TP of SAR182/sh, Maintain OW rating

- Expect top-line to grow at a CAGR of 4.3% over 2025-28e (4.9% earlier) on revised outlook across segments.
- Margin resilience and other income reinforce bottom line visibility; expect earnings to grow at a CAGR of ~7% over 2025-28e (8.5% on adjusted basis, ~8% earlier).
- We revise our 1Y fwd TP to SAR182/sh. (SAR187/sh. earlier) based on equally weighted DCF and P/E valuation approaches and maintain OW.

Stock data	
TASI ticker	1212
Mcap (SARmn)	11,048
Trd. Val (3m) (SARmn)	10.4
Free float	50.7%
QFI holding	6.3%
TASI FF weight	0.25%

Source: Bloomberg

Share price performance vs TASI



Source: Bloomberg

2Q26 results: Astra delivered an 8.5% y/y revenue growth in 2Q26, reaching SAR776mn, 7.3% above our estimate, driven by a sharp recovery in pharma revenues that more than offset weakness in steel and subdued chemicals revenue. Gross profit rose 17.6% y/y to SAR384mn, 13.5% above our forecast, with gross margin expanding to a record 49.5%, aided by improved profitability in non-pharma segments. Although pharma gross margins have softened to below 60%, due to a higher contribution from tender sales, margin gains in chemicals and steel more than offset this dilution. However, despite strong gross margin, operating profit declined 4.7% y/y to SAR194mn but exceeded our estimate by 17.7%, reflecting a high base effect from a reversal of excess accruals in the steel segment during 2Q25. Overall, net income rose 9.8% y/y to SAR192mn, surpassing our forecast by 26.8%, driven by stronger operating performance, higher other income, and the absence of the ~SAR14mn minority-interest impact recorded in 2Q25 (vs. SAR0.1mn in 2Q26). As a result, net margin rose to 24.8%, above our 20.9% estimate.

Mixed pharma dynamics; tenders remain key driver… Astra's pharma segment reported strong growth in 1H26, with revenue increasing 12% y/y to ~SAR871mn, including a particularly robust 25% y/y expansion in 2Q26. Sector dynamics, however, remain mixed. Private market sales (for-the-market) grew only 1.6% y/y during 1H26, while weak consumer spending pharmacies & medical supplies continued to weigh on demand, as evidenced by a ~35% y/y decline in POS transaction value in 2Q25, marking a fifth consecutive quarter of contraction. This suggests softer in-market activity and weaker end-user demand, at least for consumer products. In addition, tighter insurance policies governing prescription dispensing are likely to further constrain growth in the private channel. Against this backdrop, tender sales have emerged as the primary growth driver for Astra's strong pharma performance in 1H26.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	3,062	3,071	3,148	3,306	3,481
Revenue growth	*8.6%*	*0.3%*	*2.5%*	*5.0%*	*5.3%*
Gross Profit	1,342	1,414	1,514	1,582	1,680
Gross Profit Margin	*43.8%*	*46.0%*	*48.1%*	*47.9%*	*48.3%*
Op. income	658	695	756	791	852
Net profit*	589	667	715	757	817
Net profit growth	*24.0%*	*13.1%*	*7.2%*	*5.9%*	*7.9%*
Net profit margin	*19.2%*	*21.7%*	*22.7%*	*22.9%*	*23.5%*
EPS (SAR)	7.4	8.3	8.9	9.5	10.2
DPS (SAR)	3.0	3.5	4.0	4.3	4.6
P/E	18.7x	16.6x	15.5x	14.6x	13.5x
EV/EBITDA	13.3x	11.5x	11.5x	11.0x	10.2x

*Source: Company data, GIB Capital. * Attributable to shareholders*

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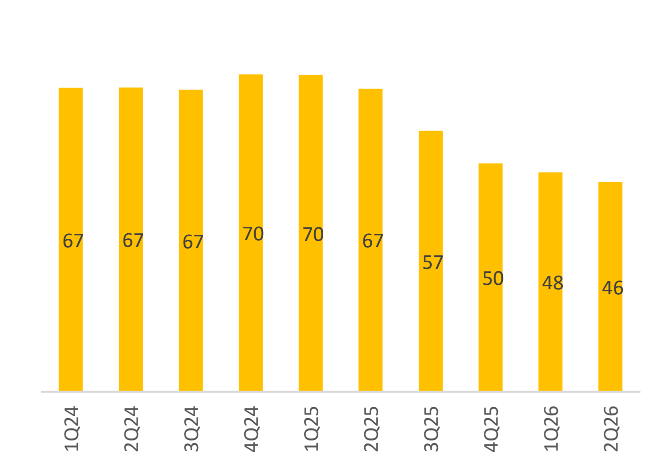
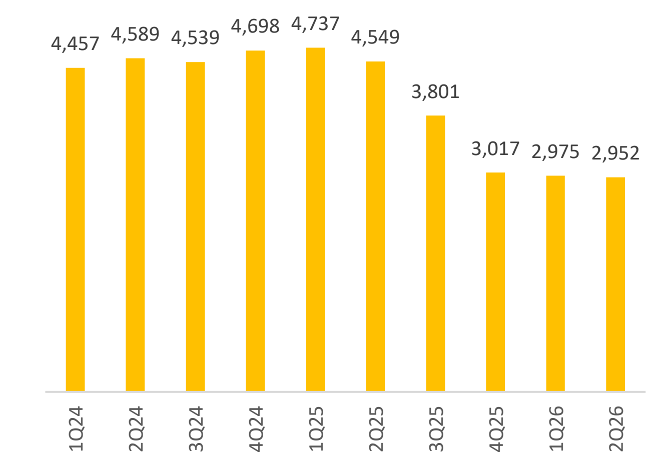
Looking ahead, we remain cautious on private-sector demand during 2H26. Continued weakness in consumer spending is likely to gradually translate into more conservative purchasing behavior by retailers, while ongoing liquidity constraints across the market, along with more disciplined behavior from insurance companies, may further pressure demand. As a result, public-sector demand is expected to remain the primary support for pharma manufacturers in Saudi Arabia over the short-term. Export sales could also face headwinds amid the current regional environment, given potential pressure on end-market demand and supply chain routes. Despite Astra's presence in Algeria partially mitigating supply-chain risks, soft export-market demand persisted, with African sales declining 16% y/y in 1H26. Taking these factors into account, we now forecast pharma revenue to reach ~SAR1.7bn in 2026e (+11% y/y), which is expected to increase further to ~SAR1.97bn by 2028e, implying a 2025-28 CAGR of 8.4%, versus our previous estimate of 7.3%. Potential upside could stem from a recovery in private-sector demand, supported by improving macroeconomic conditions and consumer spending.

Figure 2: Number of POS transactions on Pharmacies & Medical Supplies (in mn)



Source: SAMA, GIB Capital

Figure 3: Value of POS transactions on Pharmacies & Medical Supplies (in SARmn)

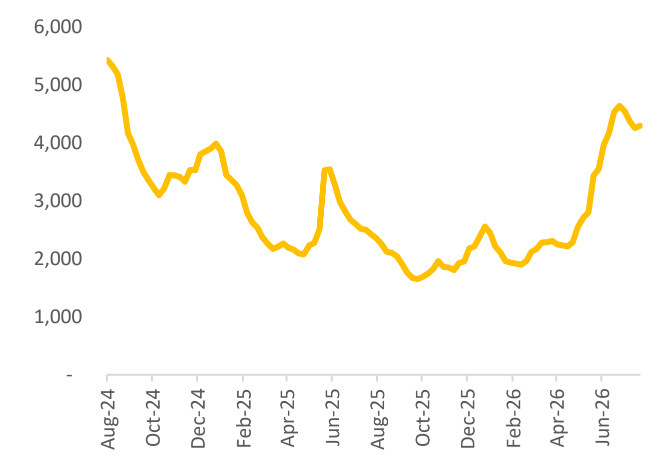


Source: SAMA, GIB Capital

… with pharma margins likely to normalize further on mix and rising costs: Despite escalating inflationary pressures across global supply chains and higher energy costs, Astra appears to have largely mitigated the impact on production costs through 2Q26. This is despite the pharma segment's gross margin contraction in 2Q26, which we believe was primarily driven by revenue mix, particularly a higher contribution from tender sales. We believe Astra has so far benefited from strategic inventory holdings, which typically cover ~6 months period of production requirements in the pharma industry. However, input cost pressures are likely to gradually materialize from 3Q26 and extend at least into early 2027e as inventories are replenished at higher prices. While the contribution of raw materials to Tabuk's cost structure and its sourcing mix remains unclear, we expect the company to face similar cost dynamics to industry peers. Accordingly, combined with a potentially less favorable sales mix, we forecast pharma gross margins to decline below 61% in 2026e and stabilize at around 61% during 2027-28e, compared to ~63.3% in 2024-25.

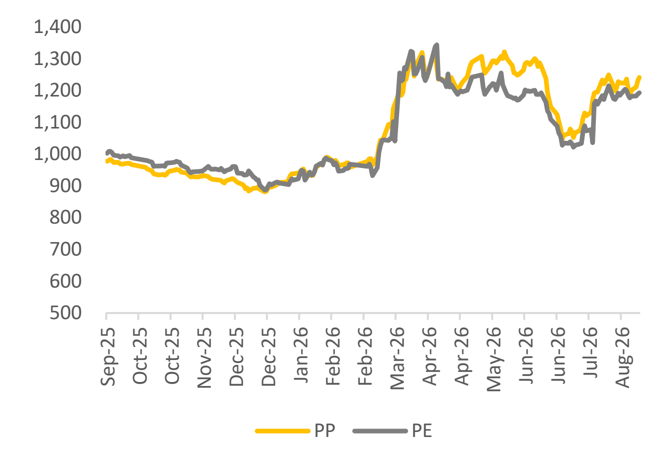
Chemicals outlook remains cautious amid cost inflation and supply chain uncertainty: Astra's Chemicals segment delivered a mixed 1H26 performance, with revenue declining ~4% y/y, while gross profit increased 7% y/y to ~SAR178.5mn, supported by a 360bps y/y expansion in GPM. The softer top-line performance appears to have been primarily attributable to AstraChem, which faced challenging market conditions in Algeria and Turkey, alongside logistics bottlenecks and elevated raw material and freight cost These headwinds were partially offset by stronger performance in Germany and the continued expansion of its agrochemical portfolio. The company also continued to execute its strategic transition toward higher-growth B2B and export markets, particularly from Turkey, supporting profitability despite the challenging operating backdrop. In contrast, Astra Polymers delivered a strong performance, reporting solid sales and volume growth across both petrochemical and non-petrochemical segments. Growth was supported by proactive supply chain management, including a strategic raw material inventory build-up that secured supply continuity through much of 1H26 and helped raw material stabilize pricing amid market disruptions. Nevertheless, the business continued to face headwinds from limited polymer availability, elevated shipping and insurance costs, and port congestion affecting trade flows.

Figure 4: WCI Composite container freight benchmark rate per 40 Foot Box Drewry (in USD)



Source: Bloomberg, GIB Capital

Figure 5: Key polymers prices



Source: Bloomberg, GIB Capital

Looking ahead, we remain conservative on the segment's outlook as inventories begin to absorb higher production costs, which we expect to gradually materialize through 3Q26, while demand visibility and the ability to pass through input cost inflation remain uncertain. Although Astra Polymers' diversified geographic footprint across Saudi Arabia, the GCC, India, Turkey, and Morocco provides some mitigation against transportation and supply chain disruptions, persistent uncertainty surrounding global trade flows, freight costs, and input inflation continues to weigh on earnings visibility.

As a result, we expect Chemicals segment revenue to remain broadly flat in 2H26e, resulting in a 3% y/y decline in 2026e revenue. Beyond 2026, however, we see scope for a gradual recovery, supported by improving market conditions and the benefits of AstraChem's ongoing strategic initiatives, including its shift toward higher-growth B2B and export markets, portfolio expansion, and operational enhancements. Overall, we expect the segment to contribute an average of ~30% of Astra's topline during 2026-28e. We also expect GPM to normalize to around 34% in 2H26 (vs. 37% in 2Q26) as lower-cost inventories unwind, before trending toward ~33% over 2027-28e, broadly in line with our previous estimates.

IBSF's top line remains pressured by its selective bidding strategy, although profitability continues to improve: Astra steel segment (under IBSF) revenue declined 23% y/y in 1H26 to ~SAR190mn, reducing the segment's contribution to Group revenue to 12% (vs. 16% in 1H25). Despite the weaker sales performance, gross profit increased 18.5% y/y to SAR57.5mn, reflecting a meaningful improvement in project mix and execution quality. This was driven by improving profitability whereas GPM expanded significantly from 10.6% in 1H25 to 30.3% in 1H26; which management attributed the margin expansion to a disciplined focus on higher-margin projects. Looking ahead, we remain constructive on IBSF's medium-term prospects, supported by improving activity within the Saudi construction sector and the company's ability to maintain a disciplined project selection strategy. However, we expect near-term revenue growth to remain constrained as management prioritizes profitability over volume. Accordingly, we forecast segment revenue to decline 13% y/y in 2026e to SAR460mn before stabilizing and gradually recovering from 2027 onward. At the same time, we expect IBSF to sustain strong profitability, with gross margins reaching 28% in 2026e (vs. 22.6% in 2025) and averaging ~28% over 2026-28e (22.7% in our earlier estimates).

Revised estimates support sustained earnings expansion: Following our revised outlook across the group's business segments, we now forecast Astra to generate revenue of ~SAR3.2bn in 2026e (+2.5% y/y), followed by mid-single-digit growth, thereafter, reaching around SAR3.5bn by 2028e and implying a 2025-28 CAGR of 4.3% (vs. 4.9% in our previous estimates). On the profitability front, we expect the group to maintain a healthy gross margin profile, averaging ~48% during 2026-28e (46% in 2025 and 47.4% earlier). However, we have lowered our operating margin assumptions to ~24% over the forecast period (24.8% earlier), reflecting a higher expected OPEX base. We now assume OPEX will normalize at ~24.1% of revenue during 2026-28e (vs. 23.4% in 2025), before gradually declining as operational leverage improves. Meanwhile, Astra continues to benefit from its strong balance sheet, generating recurring finance income from deposits and fixed-income investments. We expect finance income to remain sufficient to more than offset finance costs and foreign exchange losses, supporting earnings visibility. While outstanding debt increased 1.2x during 1H26 from 2025 levels, the company's balance sheet remains exceptionally healthy, with a negative net debt-to-equity ratio of -0.2x as of June 2026.

Accordingly, we forecast net income of SAR715mn in 2026e, representing a ~7% y/y growth (~12% y/y excluding SAR26mn one-off gain in 2025). Over the medium term, we expect earnings to continue growing at a high-single-digit pace, implying a 2025-28 CAGR of ~7% (~8.5% on adjusted 2025, ~8% earlier). Earnings growth is expected to outpace revenue growth, supported by sustained margin expansion and strong non-operating income generation.

Figure 6: Change in estimates

SARmn	2026e			2027e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	3,148	3,216	-2.1%	3,306	3,373	-2.0%
Gross profit	1,514	1,509	0.3%	1,582	1,602	-1.2%
GPM %	48.1%	46.9%		47.9%	47.5%	
Operating profit	756	780	-3.2%	791	838	-5.6%
Operating margin %	24.0%	24.3%		23.9%	24.9%	
Net Income*	715	714	0.1%	761	773	-1.6%
Net margin %	22.7%	22.2%		23.0%	22.9%	

*Source: GIB Capital. *Attributable to shareholders*

Valuation and Risks: Post revision in our estimates and rolling forward our valuation, we slightly cut our 1Y Fwd target price to **SAR182/share** (SAR187 TP earlier) based on an equal mix of DCF and P/E methods and maintain an **"Overweight"** rating on the stock, with a 31.6% upside potential. The stock price declined slightly by ~2.5% YTD and currently trades at a P/E multiple of 15.5x and 14.6x based on our EPS expectations for 2026-27e, respectively.

Exposure to unstable markets, hyperinflationary currencies, lower-than-expected margin of the Pharma segment, prolonged working capital cycle, higher-than-expected provisioning, volatile profits of the Steel segment, unprofitable sale of underperforming assets, lack of further growth opportunities in Chemicals, and higher-than-expected impact of geopolitical instability on supply chain and economic activities are key risks to our investment view.

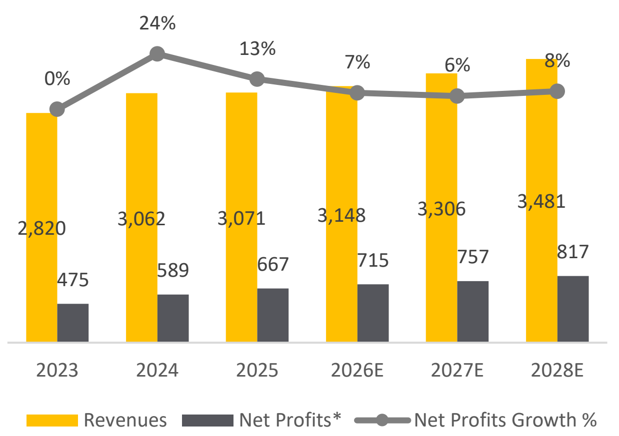
Figure 7: 2Q26 results

SARmn	2Q26	2Q25	y/y %	1Q26	q/q %	GIBC est.	Variance %
Revenues	**776**	**715**	**8.5%**	**791**	**-1.9%**	**723**	**7.3%**
Cost of sales	392	389	0.8%	406	-3.5%	384	1.9%
Gross profit	**384**	**327**	**17.6%**	**385**	**-0.3%**	**339**	**13.5%**
OPEX	190	123	54.6%	193	-1.6%	174	9.5%
Operating profit	**194**	**204**	**-4.7%**	**192**	**1.1%**	**165**	**17.7%**
Net income*	**192**	**175**	**9.8%**	**173**	**10.9%**	**151**	**26.8%**
Gross margin	49.5%	45.7%		48.7%		46.8%	
Operating margin	25.0%	28.5%		24.3%		22.8%	
Net margin	24.8%	24.5%		21.9%		20.9%	

*Source: Company data, GIB Capital. * Attributable to shareholders*

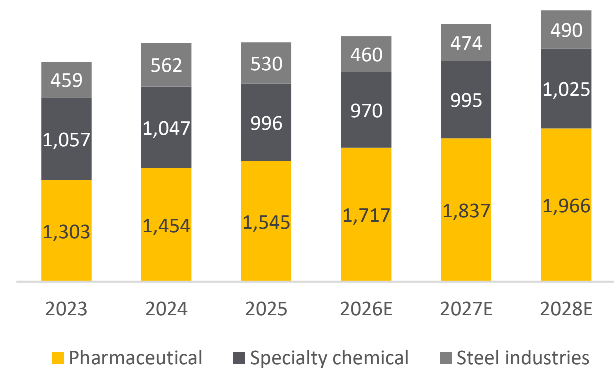
Financial analysis in charts

Figure 8: Financial Performance (SARmn)



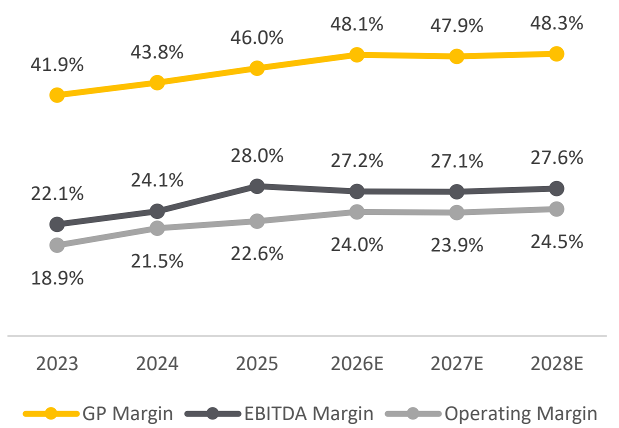
*Source: Company data, GIB Capital. * Attributable to shareholders.*

Figure 9: Revenues Segmentation Trend (SARmn)



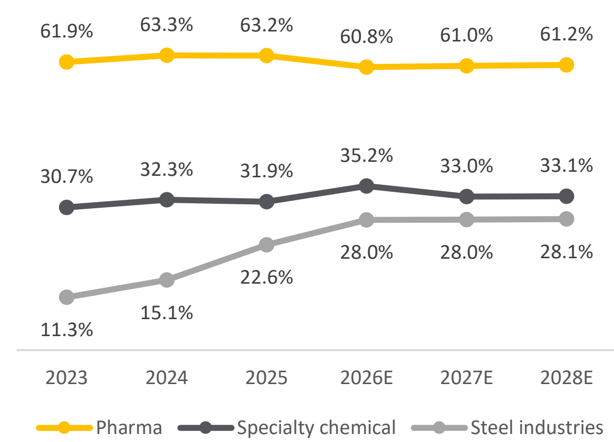
Source: Company data, GIB Capital.

Figure 10: Margins Trend – Group-Level



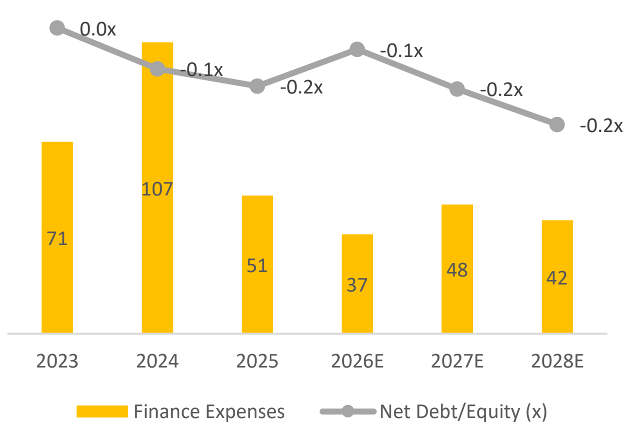
Source: Company data, GIB Capital.

Figure 11: GP Margins Trend – by Segment



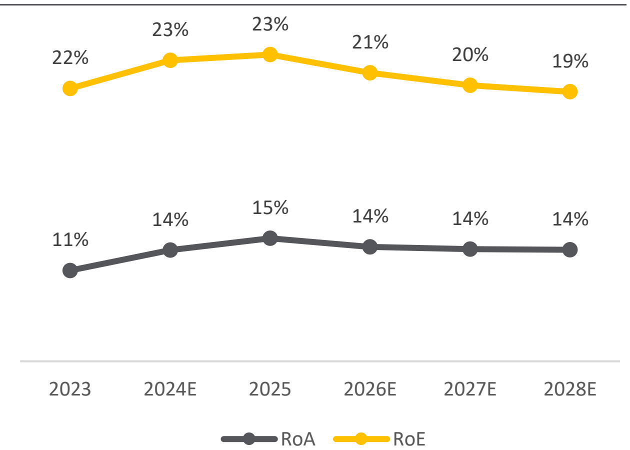
Source: Company data, GIB Capital.

Figure 12: Finance Expenses & Leverage Trend (SARmn)



Source: Company data, GIB Capital.

Figure 13: RoA & RoE Trend



Source: Company data, GIB Capital.

Summarized Financial Statements

Figure 14: Summarized basic financial statements (SARmn)

Income statement	2023a	2024a	2025a	2026e	2027e	2028e
Revenue	**2,820**	**3,062**	**3,071**	**3,148**	**3,306**	**3,481**
revenue y/y	*9%*	*9%*	*0%*	*3%*	*5%*	*5%*
COGS	1,637	1,720	1,657	1,633	1,723	1,801
Gross Profit	**1,182**	**1,342**	**1,414**	**1,514**	**1,582**	**1,680**
Gross profit margin	*42%*	*44%*	*46%*	*48%*	*48%*	*48%*
Sales & Marketing expense	376	412	427	436	453	474
G&A expenses	234	224	229	261	271	284
Impairment charges	14	19	22	15	20	21
Research expenses	26	29	41	46	47	50
Operating profit	**533**	**658**	**695**	**756**	**791**	**852**
Operating margin	*19%*	*22%*	*23%*	*24%*	*24%*	*24%*
Finance costs, net	20	33	0	(22)	(30)	(35)
Other expenses/(income)	0	0	(26)	0	0	0
Zakat and income tax	29	73	54	63	65	70
Gain on discontinued op.	(11)	48	0	0	0	0
Non-controlling interest	2	(12)	0	0	0	0
Net income*	**475**	**589**	**667**	**715**	**757**	**817**
Net margin	*17%*	*19%*	*22%*	*23%*	*23%*	*23%*
y/y	*0%*	*24%*	*13%*	*7%*	*6%*	*8%*
EPS	**5.9**	**7.4**	**8.3**	**8.9**	**9.5**	**10.2**
DPS	2.5	3.0	3.5	4.0	4.3	4.6
Payout	42%	41%	42%	45%	45%	45%
EBITDA	**624**	**739**	**859**	**855**	**896**	**961**
Net debt	(87)	(309)	(463)	(279)	(610)	(982)

Balance Sheet	2023a	2024a	2025a	2026e	2027e	2028e
Inventories	716	686	731	738	770	794
Trade Receivables	944	1,121	1,010	1,121	1,168	1,221
Prepayments and Others	150	128	89	99	109	119
Cash and Equivalents	1,621	846	157	618	906	1,250
Total Current Assets	**3,432**	**2,781**	**1,988**	**2,577**	**2,953**	**3,384**
Intangible Assets	77	76	87	87	87	87
Property, Plant & Equipment	0	647	1,432	1,455	1,455	1,455
Investments	7	6	13	13	13	13
Total Non-Current Assets	756	818	905	964	1,007	1,046
Total Assets	**840**	**1,547**	**2,437**	**2,518**	**2,562**	**2,600**
Current Liabilities	**4,272**	**4,328**	**4,424**	**5,095**	**5,515**	**5,985**
Non-current Liabilities	1,829	1,559	1,214	1,486	1,489	1,508
Equity	312	238	249	255	256	258
Total Equity and Liabilities	2,131	2,531	2,961	3,354	3,770	4,219
BVPS	**4,272**	**4,328**	**4,424**	**5,095**	**5,515**	**5,985**

Cashflow	2023a	2024a	2025a	2026e	2027e	2028e
Cashflow from Operations	680	729	807	684	790	853
Cashflow from Investing	-87	-746	-907	-181	-149	-148
Cashflow from Financing	-228	-865	44	-42	-354	-361
Total Cashflows	**364**	**-882**	**-55**	**461**	**288**	**344**

*Source: Company, GIB Capital. *Attributable to shareholders*

Figure 15: Key ratios

Key ratios	2023a	2024a	2025a	2026e	2027e	2028e
Profitability ratios						
RoA	11%	14%	15%	14%	14%	14%
RoE	22%	23%	23%	21%	20%	19%
Sales/Assets	66%	71%	69%	62%	60%	58%
Net margin	16.9%	19.2%	21.7%	22.7%	22.9%	23.5%
Liquidity ratios						
Current Assets/ Current Liabilities	1.9	1.8	1.6	1.7	2.0	2.2
Receivable Days	122	134	120	130	129	128
Inventory Days	160	146	161	165	163	161
Payable days	53	50	60	60	59	58
Debt ratios						
Net Debt/EBITDA	-0.14	-0.42	-0.54	-0.33	-0.68	-1.02
Debt/Assets	0.23	0.12	0.05	0.10	0.08	0.07
Debt/Equity	-0.04	-0.12	-0.16	-0.08	-0.16	-0.23
Valuation ratios						
P/E	23.2	18.7	16.6	15.5	14.6	13.5
P/B	5.2	4.4	3.7	3.3	2.9	2.6
EV/EBITDA	15.8	13.3	11.5	11.5	11.0	10.2
Div. Yield	1.8%	2.2%	2.5%	2.9%	3.1%	3.3%

Source: Company, GIB Capital.

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