



Rating Report Summary

SAL Saudi Logistics Services Company

(Joint Stock Company)

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Entity Rating Report Summary Content

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Rating Summary

1.1 TASSNIEF Opinion:

<i>SAL Saudi Logistics Services Company</i>	
<i>Domicile</i>	<i>Saudi Arabia</i>
<i>Long-Term Rating</i>	<i>A</i>
<i>Sukuk Rating</i>	<i>A</i>
<i>Outlook</i>	<i>Stable</i>
<i>Short-Term Rating</i>	<i>T-2</i>
<i>Rating Watch</i>	<i>No</i>
<i>Action Type</i>	<i>Assigned</i>
<i>Rating Type</i>	<i>Solicited</i>
<i>Methodology Deviation</i>	<i>None</i>

Tassnief has assigned long-term entity rating of **“A” (Single A)** and short-term entity rating **“T-2”** to SAL Saudi Logistics Services Company. Tassnief has also assigned **A (Single A)** rating to the Company’s corporate Sukuk program. The outlook on the assigned ratings is **“Stable”**. The assigned ratings reflect high creditworthiness, thus very low credit risk. Risk profile may vary with changes in economic / sector conditions.

About the Company: SAL is a Joint Stock Company registered in the Kingdom of Saudi Arabia under the commercial registration number 4030367493 dated October 16, 2019. SAL is the national logistics champion, providing cargo ground handling services at airport terminals, freight brokerage services, warehouse management services, administrative services and storage services.

1.2 TASSNIEF Rating Rationale:

Extensive track record with large-scale cargo handling operations, growing penetration into logistics, and ongoing development of zone operations

SAL exhibits a sound business profile, supported by a seven-decade operating history within the Kingdom's aviation and cargo ecosystem and leadership in national air-cargo handling operations. The Company maintains large-scale handling activities across 19 airport stations, offering an integrated suite of airside and landside services under multi-year contracts with major domestic and international airlines, resulting in high retention and stable cargo inflows. Beyond its core handling operations, SAL is expanding its logistics platform, providing deeper integration with downstream distribution networks. The Company is also progressing the development of its zone operations division, which will house bonded logistics hubs and multimodal trade infrastructure aligned with the National Transport and Logistics Strategy (NTLS), providing long-term potential for high-margin, recurring revenue from integrated logistics parks.

Leading market position in cargo handling is supported by a sizeable physical infrastructure with further expansion projects in development, though competitive pressure remains

SAL maintains a strong market position in Saudi Arabia's air-cargo handling segment. The Company operates approximately 140,000 sqm of terminal space with access to over 500,000 sqm of airport-linked sites and has expanded its handling capacity to nearly 1.0m tons annually through 141,000 sqm of added infrastructure over the past six years. A multi-year expansion program is underway to nearly double capacity to around 2.0m tons by 2030, with major upgrades planned at Riyadh, Jeddah, Dammam, and Madinah.

While SAL continues to hold a dominant ~80% market share as of 6M2025 and retains all major international carriers, competitive intensity is increasing as SATS SA scales operations across key hubs and prepares a new 300k tons facility in Jeddah. Pricing risk remains elevated, reflected in lower revenue per ton of SAR 1.41 in 2024 (2023: SAR 1.56), with only partial recovery to SAR 1.45 in 6M2025 due to lower-tariff contract renewals, cargo-mix shifts, and intensifying competition. Sustaining market leadership will depend on timely execution of expansion projects, maintaining service reliability, and progressing diversification initiatives that enhance customer stickiness beyond core handling operations.

Favorable industry dynamics will support growth in cargo handling volumes over the rating horizon

SAL's cargo handling volumes have demonstrated strong momentum in recent years, increasing by 12% in 2023 and accelerating by 20% in 2024 to 972k tons (2023: 810k tons), partly driven by temporary diversion of freight to air routes stemming from Red Sea disruptions and elevated landside security checks. As these effects tapered, volumes declined by 3% in 9M2025 to 696k tons (9M2024: 719k tons), although management anticipates a rebound in 4Q'25 and largely stable full-year volumes. Going forward, volume growth is expected to be supported by favorable sector fundamentals, including expansion of Saudia and Riyadh Air networks under NTLS, growing domestic consumption of perishables and consumer goods, and growing demand from e-commerce, express parcels, and temperature-controlled cargo.

Saudi Arabia's national air cargo volumes have already doubled from ~0.6m tons in 2020 to ~1.2m tons in 2024, supported by terminal capacity enhancements, recovery in international air traffic, and reforms to streamline customs and cargo processing. SAL's ongoing expansion at Riyadh and Jeddah—combined with modernization efforts in Dammam—positions the Company to handle around ~2.0m tons by 2030, consistent with funded capacity increases and expected utilization rates. At a national level, broader NTLS ambitions target a longer-term uplift toward ~4.5m tons, although the ~2.3m-ton trajectory remains the more achievable baseline given current investment commitments and network development. Overall, SAL's volume outlook is supported by structural sector growth drivers, continued airline network expansion, and its ongoing capacity enhancement program across major hubs.

Strengthening logistics capabilities to enhance business diversity

SAL is strengthening its logistics capabilities to broaden its revenue base and enhance business resilience, leveraging growth opportunities in a highly fragmented market where even the largest operators hold less than 6% share. The Company's initial focus on specialized, higher-margin niches, supported rapid early scale-up, with logistics revenue increasing to SAR 271m (2021: SAR 23m) in 2024. The segment contributed 17% of total revenue in 2024, and SAL targets an increase to approximately one-third of revenue by 2030.

Growth momentum is supported by a substantial warehouse development pipeline, including 40,400 sqm of capacity recently operationalized in Riyadh and a 34,300 sqm facility under development at Jeddah Islamic Port, alongside plans to add a further 130,000 sqm through direct development, joint ventures, and M&A. While these investments position SAL to capture increasing demand for integrated logistics solutions—particularly in e-commerce, temperature-controlled, and value-added segments — the business remains exposed to pricing pressure and margin volatility due to the commoditized nature of parts of the logistics market. Sustained profitability will depend on SAL's ability to differentiate through service quality, scale new warehousing capacity efficiently, and secure multi-year contracts that anchor utilization rates as the segment matures.

Significant investments in Zone Operations to capitalize on structural warehousing demand, though execution risk currently remains high

The development of Zone Operations represents a strategic expansion aimed at strengthening business diversity and positioning the Company as an integrated logistics platform. The initiative is underpinned by structural undersupply in Saudi Arabia's warehousing market, where Class A occupancy levels hover near 97% and third-party capacity remains limited, with approximately 80% of national stock still operated in-house. Demand is projected to increase from 87m sqm in 2023 to roughly 115m sqm by 2030, while supply is expected to reach only 105m sqm, leaving a cumulative gap of about 9.6m sqm. These conditions provide a favorable backdrop for SAL's planned multi-phase logistics zone developments.

The Zone Operations division will focus on master-planned hubs incorporating pre-built and built-to-suit warehousing, benefiting from airport adjacency, multimodal connectivity, and integration with SAL's handling and logistics operations. The phased execution model — triggered by a 70% pre-leasing threshold — helps mitigate vacancy and demand-risk exposure. Phase 1 is expected to achieve completion in 2027,

with revenue generation commencing in 2028 and ramping to an estimated SAR 400–500m by 2030, supported by long-term tenancy profiles and a high share of built-to-suit facilities. Early commercial interest equivalent to approximately 645,000 sqm across 12 potential tenants’ underscores underlying market demand for institutional-grade warehousing.

Notwithstanding the favorable demand outlook, execution and competition risks remain material. The development requires sizable capital outlays, coordinated permitting and construction timelines, and efficient tenant onboarding. Delays in any stage could weaken the projected revenue trajectory and elevate cost-overrun risks. Furthermore, despite structural undersupply, competition persists from private developers and regional 3PL operators, which could constrain rental yield growth should market supply accelerate.

Manageable concentration risk with strong emphasis on customer retention

SAL maintains a broad and stable customer base across B2B and B2G segments, supported by multi-year contractual arrangements that provide visibility over cargo volumes and revenue. The Company serves more than 138 customers in handling and 45 long-term clients in logistics, with retention rates improving to 97% in 2024 and reaching 100% in 6M2025, reflecting high switching costs and operational integration at major stations. Concentration risk is moderate at the consolidated level, while Saudia Cargo remains the single-largest contributor within the handling division. Although concentration in the logistics segment has increased, reflecting the division’s early stage of scale-up, the planned expansion into fulfillment and contract logistics is expected to broaden the revenue base over time. Geographically, handled volumes remain concentrated in the core hubs of Riyadh, Jeddah, and Dammam, consistent with the national air cargo network structure.

Profitability profile underpinned by sustained revenue growth and strong margins; base-year impact drives temporary softness, with long-term uplift supported by diversification and high-margin Zones operations

SAL’s profitability profile is supported by sustained revenue growth, consistently strong margins, and sound cashflow generation. Although revenue is expected to remain broadly flat in 2025 due to a high base-year effect, growth momentum is projected to resume from 2026 with the commissioning of major capacity expansions across the Handling and Logistics divisions and organic growth expected from cargo handling volumes.

Handling division remains the key business driver, accounting for more than 83% of revenue and delivering structurally high margins—supported by scale advantages, entrenched airline relationships, and a favorable cost structure. Logistics division provides incremental diversification but continues to operate at lower margins given competitive intensity and its ongoing scale-up phase. Going forward, profitability is expected to benefit from the introduction of Zone operations, which are designed around long-term BTS/PB lease contracts that carry structurally high EBITDA margins (around 80%). Zones revenue is expected to commence in 2027, providing a significant uplift to consolidated margins.

Overall, consolidated EBITDA margins—temporarily moderate during the logistics ramp-up period—are expected to recover toward ~40% by 2029 as Zone operations scale and Logistics profitability improves, supporting a resilient long-term earnings profile and strong cash-flow generation capacity.

Satisfactory working capital cycle supported by sizeable cash balances, though receivable ageing remains a constraint

The liquidity profile draws comfort from a satisfactory working capital cycle and the maintenance of sizeable cash balances on the balance sheet. Most trade receivables pertain to related parties. The ageing profile has room for improvement, with 51% of receivables overdue by more than 180 days at end-2024. External collections generally occur within 30 days, while delays mainly relate to related-party balances.

Operating liquidity is primarily funded through internal cash generation and trade payables. SAL continues to generate strong funds from operations, amounting to SAR 814m in 2024 and SAR 595m in 9M2025, reflecting healthy underlying profitability. Liquidity strength is further supported by SAR 1.43b in cash and bank balances at end-9M2025. Management notes that part of the elevated cash position reflects timing delays in major capex programs, with balances expected to decline as project execution accelerates.

Currently low leveraged capital structure with sound equity base; leverage indicators are expected to increase, but remain within manageable levels, due to aggressive expansion plans through 2030

SAL currently maintains a moderately leveraged balance sheet, supported by a solid equity base and strong internal cash-flow generation; however, leverage is expected to increase significantly as the Company undertakes its SAR 5.22b multi-year capex program through 2030. Gearing and leverage ratios stood at 0.83x and 1.14x, respectively, at end-9M2025, but are projected to peak at by 2029 as debt financing is increasingly deployed to fund major handling expansions, warehousing development, and the flagship Logistics Park.

Despite this expected increase in leverage, SAL's debt-servicing capacity remains satisfactory, reflected in a DSCR of 7.47x (2024: 6.59x) at end-9M2025, with metrics forecast to moderate but remain strong at 3.5x by 2029 before improving as new assets reach commercial maturity. Financial flexibility is supported by sizeable cash and short-term Murabaha balances of SAR 1.43b, unutilized committed bank lines, and a diversified funding plan that includes long-term project finance, SIDF funding, and a new Sukuk program. Key financial risks relate to execution delays, cost overruns, and slower-than-expected stabilization of the Logistics Park, which could temporarily weaken projected deleveraging and pressure debt-service metrics during peak investment years; nevertheless, phased development, pre-leasing requirements, and the Company's strong cash-flow generation provide a degree of mitigation.

Sukuk Program

SAL is in the process of establishing an unsecured, corporate Sukuk program, expected to be finalized by 8 December 2025. The Sukuk will carry a five-year tenor with a bullet maturity structure, under which periodic profit payments will be serviced during the life of the instrument while the principal is intended to be refinanced at maturity. The program will be raised in multiple tranches, with the first tranche of SAR 1.0b planned for mobilization upon establishment. Pricing is expected at SIBOR + 1% per annum, reflecting

a corporate-level instrument intended for general funding purposes, including support for the Company's broader capital expenditure program.

1.3 Rating Triggers

The key rating triggers include sustained strengthening of SAL's business risk profile, demonstrated by (i) continued expansion of cargo handling volumes in line with planned capacity additions, (ii) successful scaling of Logistics division with improving margin trajectory, and (iii) timely execution and commercialization of Logistics Zone developments resulting in a more diversified and recurring earnings base. Additionally, a positive rating action would also depend on SAL shifting to a conservative financial policy, including leverage (debt/FFO) structurally trending downward to below 3x, robust liquidity, and DSCR remaining very strong through the investment cycle.

Conversely, downward pressure on the rating could arise from material execution delays or cost overruns in the Handling, Logistics, or Zones projects that weaken the projected deleveraging path; a notable deterioration in EBITDA margins due to pricing pressure or intensifying competition (particularly from SATS); or higher-than-expected debt-funded capex driving leverage above 5x for a sustained period. Additional pressure could stem from weakened liquidity buffers, prolonged working-capital stresses, or lower-than-anticipated cash flow generation impairing compliance with financial covenants or reducing headroom on debt-servicing metrics.

RELATED CRITERIA AND METHODOLOGY

Rating Methodology for Corporate (v.2. 2024) can be found on the website: www.tassnief.com

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- This rating has not been amended following disclosure to the rated entity or its related party(ies). All analyses related to the rating report are merely opinions of TASSNIEF on the rating date.
- This credit rating herein was determined using the above-mentioned methodology which is available on our website at www.tassnief.com. This methodology, including any significant adjustments or deviations from standard procedures, was applied to arrive at the rating.
- The rating scale, meaning of each rating category, default or recovery definitions, and relevant risk warnings – including a sensitivity analysis of key assumptions – are also available on our website.
- TASSNIEF confirms that all rating activities related to this credit rating were not outsourced to any third party.

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TASSNIEF's Long-term & Short-term Rating Scale



Long-Term Rating Scale	Definitions
AAA	Extremely Robust ; Tassnief considers the rated issuer or issuance hold the highest creditworthiness , thus negligible credit risk
AA+ AA AA-	Very Robust ; Tassnief considers the rated issuer or issuance hold very high creditworthiness , thus minimal credit risk . Risk profile may vary slightly with changes in economic / sector conditions
A+ A A-	Robust ; Tassnief considers the rated issuer or issuance hold high creditworthiness , thus very low credit risk . Risk profile may vary with changes in economic / sector conditions
BBB+ BBB BBB-	Moderate ; Tassnief considers the rated issuer or issuance hold adequate creditworthiness , thus low credit risk . Risk profile may exhibit moderately high variation with changes in economic / sector conditions
BB+ BB BB-	Tassnief considers the rated issuer or issuance hold low to moderate credit risk . Risk profile may exhibit wide variation with changes in economic / sector conditions.
B+ B B-	Tassnief considers the rated issuer or issuance hold very low creditworthiness , thus high credit risk
CCC+ CCC CCC-	Tassnief considers the rated issuer or issuance hold extremely low creditworthiness , thus very high credit risk
CC C	Highly speculative credit profile , and the default is imminent
D	Tassnief considers the rated issuer or issuance have defaulted or may default soon .

****End of Report****