

Saudi Ground Services Co.

Flynas planned exit resets the earnings base but Saudia remains solid anchor: Valuations keep us Overweight

Rating: Overweight | 12M Target Price: SAR 29.9

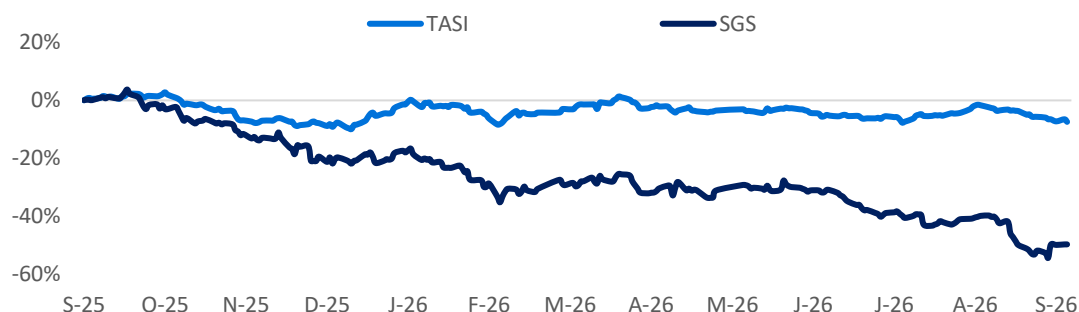
September 30, 2026

Market Data		Valuations	2025a	2026e	2027f	2028f	2029f
Last Price (SAR)*	22.7	Net Profit (SAR mn)	405	133	306	340	396
Target Price (SAR)	29.9	EPS (SAR)	2.2	0.7	1.6	1.8	2.1
Upside / Downside (%)	38.0	PER (x)	10.5	32.1	14.0	12.6	10.8
Market Cap (bn) (SAR/USD)	4.3/1.1	P/BV (x)	1.7	1.6	1.4	1.4	1.4
52 week High / Low (SAR)	47.7/20.7	DPS (SAR)	2.0	1.0	1.5	1.6	1.9
12-month ADTV (mn) (SAR/USD)	16.0/4.3	Div. Yield (%)	8.8	4.4	6.4	7.2	8.4
YTD Return (%)	-37.5%	RoAE (%)	15.9	5.1	10.8	11.3	13.0
Bloomberg Code	SGS AB	RoAA (%)	9.4	3.0	6.4	6.9	7.9

*last price as of 29th September, 2026

Financials (SAR mn)	2025a	2026e	2027f	2028f	2029f
Revenue	2,730	2,707	2,819	3,221	3,517
COGS	2,111	2,340	2,236	2,543	2,748
Gross profit	619	367	583	677	770
Gross margin (%)	22.7	13.6	20.7	21.0	21.9
Operating expense	335	348	352	400	437
Operating profit/(loss)	284	19	231	277	333
Operating margin (%)	10.4	0.7	8.2	8.6	9.5
Net income	405	133	306	340	396
Net margin (%)	14.8	4.9	10.8	10.5	11.3
EPS	2.2	0.7	1.6	1.8	2.1

Price Performance



Source: Tadawul, Bloomberg and anbc research

Saudi Ground Services Co (SGS) swung to a SAR 56.6 mn loss in 2Q26 against a net profit of SAR 99.4 mn in 2Q25, as flight activity ran 15-20% below normal while staffing was held. Flynas, ~16% of SGS's 2025 flights volume, also served notice to end its ground handling agreement effective March 2027, removing roughly SAR 306 mn of revenue annually. However, SGS's dominant ~85% market share leaves it best placed to capture fleet growth from various Saudi carriers excluding Flynas. Hence, we expect earnings to bottom out in 2026f. We reiterate our long term investment thesis on SGS backed by (i) +370 aircraft on order at Saudi carriers ex Flynas, (ii) flight/destination expansion by Saudia and Flyadeal (iii) Riyadh Air materially ramping up from 2027 onwards; and (iv) no bank debt and net cash of SAR 1.0 bn in 2027f, supporting a dividend yield of 6.4% in 2027f rising to 8.4% by 2029f. We maintain our "Overweight" rating and revise our target price to SAR 29.9/share, implying 38% upside.

- In 2Q26, turns handled fell to 87k from 102k in 1Q26 as daily flights averaged 1,900-2,000 against 2,400 in Jan-Feb, while revenue per turn rose to SAR 7.2k on Hajj services and ground-time fees. Gross margin fell to 1.6% from 20.0% in 2Q25 as cost of revenue rose 13.4% YoY; however, SAR 30 mn of the SAR 74 mn cost increase was a Hajj operation related one-off. Activity bottomed in May and daily flights recovered to 2,050-2,200 in July, after growing around 9% YoY in Jan-Feb before the conflict.
- Effective March 6, 2027, Flynas will transition to Swissport Saudi Arabia removing an estimated SAR 306 mn of revenue in 2026, (11.2% of 2025 revenue) and 130k flights (15.9% of 2025 volume). We model SGS' share of KSA flights falling to 82.7% in 2027f from 85.7% in 2026f, while flights handled still rise 4.2% to 919k on 8.0% growth in KSA flights.
- We expect 2026f to mark the earnings trough, with revenue easing 0.8% YoY to SAR 2.7 bn and EBITDA falling to SAR 244 mn from SAR 474 mn in 2025A, implying a 9.0% margin. Beyond 2026f, growth should reaccelerate, driving revenue to SAR 3.5 bn by 2029f (6.5% CAGR), EBITDA to SAR 611 mn, and net profit to SAR 396 mn. From 2028f, Swissport now anchored by Flynas, is likely to intensify competition, which may costs SGS some pricing power and keep margins in check.
- Capex should fall to SAR 242 mn in 2027f from SAR 307 mn in 2026f, turning FCFE positive at SAR 401 mn and allowing DPS of SAR 1.5 at a 90% payout. Our target price of SAR 29.9 is based on a DCF valuation. Key risks to our thesis are further contract losses, slower traffic recovery, higher staff costs and a SAR 201 mn claim at the Saudi Al-Amal JV. The stock has dropped 49.8% YoY and trades at a 2027f P/E of 14.0x.

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