Gas Arabian Services Co. (GAS) (BUY, TP: SAR 17.5, 4146.SE) 4Q25 Results Review

Execution and JV Income Drive Earnings, Despite Margin Pressure

GAS Arabian reported a 4Q25 net profit of SAR 44mn, up 34% Y/Y and 20% Q/Q. The bottom-line growth was driven by a 27% Y/Y increase in revenue to SAR 410mn, alongside a strong uplift in share in results of JVs and associates, which rose to SAR 18mn from SAR 11mn in 4Q24 and SAR 13mn in 3Q25. EBITDA also improved sharply to SAR 55mn, up 60% Y/Y and 14% Q/Q, although the quarter still reflected pressure at the gross margin line, with the project mix remaining heavily Technical Services-led. The quarter also benefited from an ECL reversal of SAR 3mn versus charges in both 3Q25 and 4Q24, while finance costs remained negligible. The company announced SAR 0.3/sh dividend for 2H25.

- Revenue grew 27% Y/Y and 5% Q/Q to SAR 410mn, with the mix heavily skewed toward Technical Services. Technical Services rose to SAR 310mn, up 24% Q/Q, and accounted for 76% of total revenue (execution of previously signed projects, including SPPC-related contracts awarded in 2Q25). Trading declined 29% Q/Q to SAR 91mn, while Manufacturing fell 21% Q/Q to SAR 10mn.
- Gross profit rose 15% Y/Y to SAR 52mn, but declined 7% Q/Q, with gross margin compressing to 13%, down 130bps Y/Y and 166bps Q/Q. Despite the softer gross margin, operating income improved meaningfully to SAR 40mn, up 39% Y/Y and 8% Q/Q, supported by stronger JV and associate income and an ECL reversal. G&A increased to SAR 33mn, up 29% Y/Y and 8% Q/Q but remained broadly stable at 8% of sales. At the same time, share in results of JVs and associates rose to SAR 18mn, up 63% Y/Y and 38% Q/Q, while the allowance for ECL swung to a SAR 3mn reversal, versus charges of SAR 1mn in 3Q25 and SAR 2mn in 4Q24.
- EBITDA increased strongly to SAR 55mn, up 60% Y/Y and 14% Q/Q, with EBITDA margin improving to 13%, up 278bps Y/Y and 96bps Q/Q. Below EBITDA, depreciation and amortization rose sharply to SAR 14mn, up 175% Y/Y and 34% Q/Q, consistent with the larger asset base and the heavier Technical Services footprint.
- Closing backlog stood at SAR 1.98bn at the end of 4Q25, down from SAR 2.22bn in 2Q25 and SAR 2.02bn in 3Q25 as revenue conversion outpaced additions through the second half, but still up 19% Y/Y vs SAR 1.66bn at 4Q24 end. On an implied basis, 2025 total backlog additions reached SAR 1.76bn, lower than the exceptionally strong SAR 2.02bn in 2024, but still above the SAR 1.01bn added in 2023. Importantly, the year's replenishment was not solely dependent on announced awards: of the SAR 1.76bn added in 2025, only SAR 973mn came from contracts announced on the exchange, while SAR 786mn came from unannounced contracts, including recurring orders. This compares with SAR 629mn of unannounced additions in 2024 and SAR 760mn in 2023.
- *The main positive from the print was that closing backlog came in above our expectation at SAR 1.98bn versus our SAR 1.74bn forecast, giving GAS a stronger starting position into 2026 and partly offsetting the softer-than-expected gross margin exit in 4Q25. 4Q25 award momentum also remained solid; while only the SAR 110mn Aramco contract was announced on the exchange, implied total additions were around SAR 370mn, above SAR 187mn in 3Q25, though below the unusually strong 2Q25 level of SAR 934mn, which included the large SAR 598mn SPPC contract. That said, we reduce our 2026 non-recurring new backlog additions from SAR 1.92bn to SAR 1.2bn, largely reflecting our expectation of no material new awards in 1H26, with any meaningful additions more likely in 2H26. This remains exclusive of recurring orders, which we assume at around SAR 432mn in 2026. We would also note a potential upside angle not captured in our base case, the current conflict has highlighted the strategic value of Saudi Arabia's bypass and domestic energy networks, with the East-West pipeline now running at full capacity and Yanbu exports near capacity; if this drives Aramco to accelerate redundancy, debottlenecking, or contingency spending across existing oil and gas networks, it could create incremental tie-in, connection, compression and broader infrastructure opportunities for GAS over time. Lastly, in line with the stronger 2H25 dividend outcome, with total 2025 DPS at SAR 0.50/share versus SAR 0.38/share in 2024 and SAR 0.30/share in 2023, we raise our 2026-2030 dividend forecasts by an average of 7%. The stock now offers a 2026 dividend yield of around 4%. Maintain BUY.*

Rating and Risks

We maintain a BUY rating on GAS Arabian Services, with a 12-month price target of SAR 17.5. Upside risks include faster-than-expected backlog additions, stronger recurring order flow, earlier margin normalization, higher contribution from JVs and associates, and a quicker expansion in addressable scope through larger contract awards. Downside risks include slower-than-expected new contract additions, weaker backlog conversion, pressure on gross margins from a prolonged execution-heavy mix, working-capital build-up during delivery, intensified competition, and any slowdown in Saudi gas, power, and industrial capex activity.

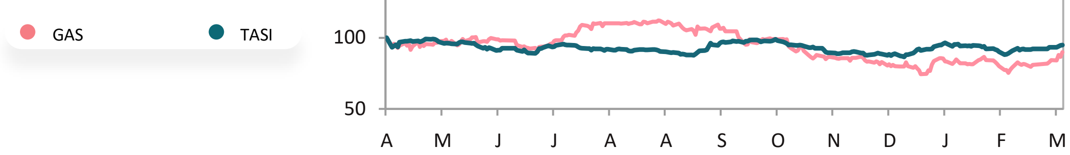
SAR mn	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenues	410	389	324	*5%*	*27%*
Gross Profit	52	56	46	*-7%*	*15%*
Share in results of JVs and associates	18	13	11	*38%*	*63%*
G&A Expenses	33	31	26	*8%*	*29%*
EBITDA	55	48	34	*14%*	*60%*
Net Income attributable to equity holders	**44**	**37**	**33**	***20%***	***34%***
EPS	0.28	0.23	0.21	*20%*	*34%*
Margins (%)					
Gross Margin	12.8	14.4	14.1	*-166 bps*	*-130 bps*
EBITDA Margin	13.4	12.4	10.6	*96 bps*	*278 bps*
Net Margin	10.7	9.4	10.2	*132 bps*	*56 bps*

Rating Summary and Forecasts

Rating Summary	
Rating	BUY
Market Price	14.3
12-month Target Price	17.5
Upside / Downside	22%
Mkt Cap (SAR mn)	2,299
52 week High/Low	18.14/12.03

Forecasts	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	151	172	208	205
PER (x)	16.7	13.3	11.1	11.2
PBV (x)	5.2	4.1	3.5	3.0
EPS (SAR)	1.0	1.1	1.3	1.3
DPS (SAR)	0.5	0.6	0.7	0.7
RoE (%)	34.0	32.9	33.8	28.8
Dividend Yield (%)	2.7	3.9	4.7	4.8

Price Chart



Asmar H Shams; ashams@bsfcapital.sa; +966 11 282 6676

Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

Saudi Fransi Capital
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Head Office
8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

Mailing Address
P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6828 | 800 125 9999
www.bsfcapital.sa

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