

Support services

BUY: 12M TP @ 53

Upside +14.8%

Valuation Summary (TTM)

Price (SAR)	46.16
PER TTM (x)	23.2
P/Book (x)	3.4
P/Sales (x)	3.2
EV/Sales (x)	3.2
EV/EBITDA (x)	14.2
Dividend Yield (%)	4.3
Free Float (%)	45%
Shares O/S (mn)	188
YTD Return (%)	-10%
Beta	1.0

(mn)	SAR	USD
Market Cap	8,678	2,313
Enterprise value	8,539	2,306

Price performance (%)	1M	3M	12M
Saudi Ground Services	-7%	-2%	-14%
Tadawul All Share Index	-1%	-2%	-11%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	11,615	14,518	18,019
Avg Daily Volume (,000)	224	306	372

52 week	High	Low	CTL*
Price (SAR)	57.10	41.00	12.6

* CTL is % change in CMP to 52wk low

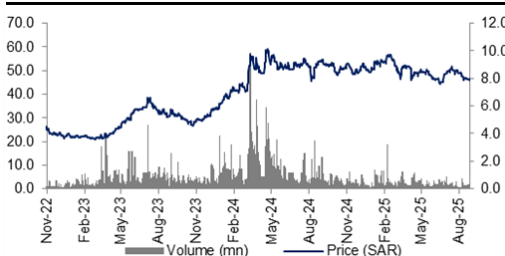
Major shareholders

Saudi Arabian Airlin	52.5%
Vanguard Group Inc/T	1.9%
Blackrock Inc	0.9%
Others	44.7%

Other details

Exchange	Saudi Arabia
Sector	Transport Support
Index weight (%)	0.2%

Key ratios	2022	2023	2024
EPS (SAR)	-1.30	1.12	1.74
BVPS (SAR)	11.18	12.40	13.37
DPS (SAR)	0.00	0.00	2.00
Payout ratio (%)	0%	0%	115%



SGS – revenue plateau, margins slip

Saudi Ground Services (SGS) reported 2Q25 revenue of SAR 689mn, broadly flat year-on-year and slightly below our estimate. Revenue growth, which was in double digits during 2022–23, has slowed to low single digits in recent quarters and is now stagnant. The muted performance in 2Q25 was mainly due to lower traffic volumes, geopolitical tensions, airspace closures, and a high base effect from previous years. Revenue from Saudia Airlines increased by 8.5% YoY, while revenue from other airlines declined by 8.6% YoY. Saudia remains the company's largest client, contributing 57% of total revenue during the quarter. For 1H25, SGS reported revenue of SAR 1.36bn, up 1.5% YoY. Our revenue forecasts have been conservative, and the results align closely with expectations.

Gross margins contracted by 100bps YoY in 2Q25, leading to a 4.1% YoY decline in gross profit. Higher salary expenses and the expansion of operations at other airports drove cost increases, partially offset by lower general and administrative expenses, provision reversals, and higher other income. Consequently, operating profit rose 33% YoY, in line with expectations. Finance income and costs were stable, while income from associates and investments also remained steady. Net profit for the quarter came in at SAR 99mn, up 26.7% YoY and 3.7% above our estimates. The decline in margins was compensated by certain non-operating gains which protected the bottom line during the quarter. For 1H25, net profit reached SAR 197mn, an increase of 31.7% YoY. Given these results, we maintain our revenue forecast for FY25 at SAR 2.8bn and raise our net profit estimate slightly to SAR 420mn (from SAR 403mn). We set a target price of SAR 53 per share, implying a 14.8% upside from current levels, and reiterate our BUY rating on SGS.

Valuation and outlook: SGS continues to face macro-level challenges, particularly weak growth in air traffic volumes, which has caused revenue growth to plateau. Despite holding a near-monopoly with a 92% market share, the company has struggled to move beyond the high base established in 2023. We expect revenue momentum to improve once Riyadh Air and other low-cost carriers commence full-scale operations. In addition, the resolution of regional conflicts should provide long-term support to air traffic growth.

Our outlook on SGS remains positive, supported by its asset-light balance sheet and favorable industry dynamics. While near-term challenges persist, we maintain a constructive long-term view of the sector. At the current price, the stock is trading at 20.7x 2025e P/E, which we consider an attractive entry point to increase exposure.

Income Statement (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	1,608	1,977	2,459	2,684	2,839	3,107	3,418	3,759
Direct Costs	-1,413	-1,818	-2,050	-2,063	-2,198	-2,392	-2,631	-2,895
Gross profit	195	159	409	621	641	715	786	865
Other income (Net)	10	27	52	61	47	50	50	50
Gen and Admin exp	-300	-286	-210	-270	-281	-311	-308	-338
Impairment on trade receivables	-79	-19	-23	-94	13	-	-	-
Operating Profit	-173	-120	228	319	420	454	528	576
EBITDA	-4	62	411	500	603	685	806	885
Finance cost	-27	-31	-31	-14	-13	-11	-10	-10
Interest income	-	8	40	28	26	30	30	30
P&L investments at FV P&L	14	41	10	17	16	15	15	15
Div income	6	-	-	-	-	-	-	-
Share of P/L from asso & JV	-35	24	23	28	28	30	30	30
Profit before Tax	-214	-78	271	378	477	518	593	641
Zakat and income tax	-40	-167	-59	-51	-57	-65	-74	-80
Net Profit	-254	-244	211	327	420	453	519	561

Balance Sheet (in SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property, plant and equipment	471	433	487	559	525	551	561	573
Right of use assets	122	129	225	141	191	223	251	275
Intangible assets	813	776	747	723	700	675	649	624
Other non current assets	113	165	138	237	117	117	117	117
Non-current assets	1,519	1,503	1,596	1,661	1,533	1,566	1,578	1,589
Inventories	6	10	5	9	7	7	8	9
Trade and other receivables	1,067	1,153	1,248	1,191	1,221	1,336	1,538	1,692
Prepayments and other assets	608	631	679	697	795	870	957	1,053
Investments - FVOCI	1,391	209	124	214	262	262	262	262
Cash and cash equivalents	255	864	579	87	139	212	200	273
Current assets	3,328	2,868	2,636	2,607	2,928	3,191	3,469	3,792
ASSETS	4,847	4,371	4,231	4,268	4,461	4,757	5,047	5,381
Share capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Statutory reserve	499	499	520	-	-	-	-	-
Retained earnings	-114	-277	-69	634	678	795	952	1,097
Equity	2,265	2,102	2,331	2,514	2,558	2,675	2,832	2,977
Loans and borrowings	471	449	-	-	-	-	-	-
Lease liability	79	78	151	85	123	123	123	124
Employees' end of service benefits	581	550	559	562	625	690	684	752
Non-current liabilities	1,131	1,077	710	647	748	814	807	876
Loans and borrowings	713	176	100	-	-	-	-	-
Lease liability	21	54	86	81	101	101	101	101
Trade payable and other liabilities	84	92	131	116	66	72	79	87
Other current liabilities	634	870	873	910	989	1,096	1,228	1,340
Current liabilities	1,451	1,191	1,190	1,107	1,155	1,269	1,408	1,528
LIABILITIES	2,582	2,269	1,900	1,754	1,903	2,082	2,215	2,404
EQUITY AND LIABILITIES	4,847	4,371	4,231	4,268	4,461	4,757	5,047	5,381

Cash Flow (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	-2	32	342	495	512	445	532	569
Investing cash flow	-468	1,165	-546	-146	-74	-155	-171	-188
Financing cash flow	629	-587	-582	-341	-387	-217	-373	-308
Change in cash	159	610	-786	8	52	73	-12	73
Beginning cash	96	256	865	79	87	139	212	200
Ending cash	256	865	79	87	139	212	200	273

Ratio Analysis	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share								
EPS (SAR)	-1.35	-1.30	1.12	1.74	2.23	2.41	2.76	2.98
BVPS (SAR)	12.05	11.18	12.40	13.37	13.60	14.23	15.06	15.84
DPS (SAR)	-	-	-	2.00	1.79	1.93	2.21	2.39
FCF per share (SAR)	-2.50	6.37	-1.08	1.86	2.33	1.54	1.92	2.03
Valuation								
Market Cap (SAR mn)	5,555	4,106	6,796	9,607	8,678	8,678	8,678	8,678
EV (SAR mn)	6,484	3,866	6,817	9,520	8,539	8,466	8,479	8,405
EBITDA	-4	62	411	500	603	685	806	885
P/E (x)	-21.8	-16.8	32.1	29.4	20.7	19.2	16.7	15.5
EV/EBITDA (x)	-1,712.7	62.2	16.6	19.0	14.2	12.4	10.5	9.5
Price/Book (x)	2.5	2.0	2.9	3.8	3.4	3.2	3.1	2.9
Dividend Yield (%)	0.0%	0.0%	0.0%	3.9%	3.9%	4.2%	4.8%	5.2%
Price to sales (x)	3.5	2.1	2.8	3.6	3.1	2.8	2.5	2.3
EV to sales (x)	4.0	2.0	2.8	3.5	3.0	2.7	2.5	2.2
Liquidity								
Cash Ratio (x)	0.18	0.73	0.07	0.08	0.12	0.17	0.14	0.18
Current Ratio (x)	2.29	2.41	2.21	2.35	2.53	2.52	2.46	2.48
Quick Ratio (x)	2.29	2.40	2.21	2.35	2.53	2.51	2.46	2.48
Returns Ratio								
ROA (%)	-5.2%	-5.6%	5.0%	7.7%	9.4%	9.5%	10.3%	10.4%
ROE (%)	-11.2%	-11.6%	9.1%	13.0%	16.4%	16.9%	18.3%	18.8%
ROCE (%)	-7.5%	-7.7%	7.0%	10.3%	12.7%	13.0%	14.3%	14.6%
Cash Cycle								
Accounts Payable turnover (x)	16.9	19.8	15.7	17.8	33.3	33.3	33.3	33.3
Receivables turnover (x)	1.5	1.7	2.0	2.3	2.3	2.3	2.2	2.2
Payable Days	22	18	23	20	11	11	11	11
Receivables days	242	213	185	162	157	157	164	164
Cash Cycle	222	196	163	143	147	147	154	154
Profitability Ratio								
Net Margins (%)	-15.8%	-12.4%	8.6%	12.2%	14.8%	14.6%	15.2%	14.9%
EBITDA Margins (%)	-0.2%	3.1%	16.7%	18.6%	21.2%	22.1%	23.6%	23.5%
PBT Margins (%)	-13.3%	-3.9%	11.0%	14.1%	16.8%	16.7%	17.4%	17.1%
EBIT Margins (%)	-10.8%	-6.1%	9.3%	11.9%	14.8%	14.6%	15.5%	15.3%
Effective Tax Rate (%)	18.7%	215.0%	-21.9%	-13.4%	-12.0%	-12.5%	-12.5%	-12.5%
Leverage								
Total Debt (SAR mn)	1,184	625	100	-	-	-	-	-
Net Debt (SAR mn)	929	-240	21	-87	-139	-212	-200	-273
Net Debt/EBITDA	-245.35	-3.86	0.05	-0.17	-0.23	-0.31	-0.25	-0.31
Debt/Equity (x)	0.24	0.14	0.02	-	-	-	-	-

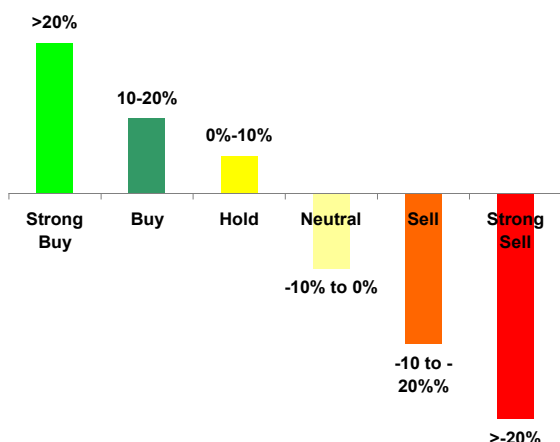
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Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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