

Saudi Ground Services Co. (BUY, TP: SAR 42, 4031. SE) 4Q25 Results Review

FY26 Revenue growth to slow as result of impact on aviation sector from geopolitical disruptions. Maintain Buy.

Saudi Ground Services Co. (SGS) reported net earnings of SAR 106mn (ESP: SAR 0.56) vs. a profit of SAR 96mn (EPS: SAR 0.51) in 4Q24 and SAR 102mn (EPS: SAR 0.54) in 3Q25. Revenue jumped Y/Y but was flat vs the previous quarter. Gross profit declined Y/Y; however, improved Q/Q. Operating expenses were flat Y/Y but rose significantly on a Q/Q basis. Net margin stood at 15.5%.

- Revenue rose 2% Y/Y to SAR 686mn driven by a 6% Y/Y and 7% Y/Y increase in domestic and international flights. Sequentially, revenue was flat.
- Gross profit declined 25% Y/Y to SAR 162mn as gross margins contracted 819 bps Y/Y in 4Q25 while it jumped 4% sequentially with gross margins advancing 82 bps.
- Operating expenses were flat Y/Y while they recorded a notable jump of 115% Q/Q in 4Q25 to SAR 123mn. Sequentially, expenses rose due to higher impairment.
- Operating profit in 4Q25 clocked in at SAR 39mn a decline of 58% Y/Y and 61% Q/Q.
- Finance costs declined 39% Y/Y and 68% Q/Q while income from deposits jumped 35% Y/Y and 3% Q/Q.
- Net income for the quarter improved to SAR 106mn in 4Q25 from SAR 96mn in 4Q24 and SAR 102mn in 3Q25. Net income margin recovered to 15.5% in 4Q25.
- SGS reported strong year-on-year profitability growth, driven by higher revenues and a significant increase in income from associates. Domestic flight volumes rose by 7% Y/Y, while international traffic grew by 2% in 2025. The company's collections profile continued to strengthen, with related-party collections reaching 115% of related-party revenues and collections from other airlines at 114% of their respective 2025 revenues. However, the aviation sector has recently come under pressure due to geopolitical tensions, which have disrupted flight operations. As SGS's revenue growth is closely tied to flight activity, we expect revenue growth to slow in 2026. Despite these near-term challenges, we anticipate a strong recovery once geopolitical conditions stabilize, supported by the country's long-term target of reaching 330 million passengers by 2030. That said, the investment outlook is constrained by a recent legal development: a lawsuit filed by Saudi Amad for Airport Services and Transport Support (SaaS) in the Jeddah Commercial Court, with a claim of SAR 201.15 million. The dispute appears to stem from differing interpretations of contractual terms related to passenger and crew transport services, and it introduces a meaningful risk to the investment case. In light of geopolitical headwinds, we have reduced flight assumptions by an average of 6% for 2026–2028, lowering our target price by 13%. The stock trades at 2.2x/16x 2026F PBV/PE, with a dividend yield of 5%. It also trades at a P/FCF of 19.4x (2026F). Relative to selected global and emerging market peers, SGS AB trades at 16x P/E, compared to the peer average of 17x for 2026F. Maintain Buy.

Rating and Risks

We are BUY rated on SGS with a 12-month price target of SAR 42. Upside risks include a better-than-expected margin improvement, a sharp increase in air traffic volumes, and major new contracts with international airlines. Downside risks include termination/changes in the contracts, increased competition, and a slowdown in the global economy that could impact air traffic and passenger growth.

SAR mln	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenues	686	683	675	0%	2%
Cost of Sales	-524	-528	-461	-1%	14%
Gross Profit	162	156	215	4%	-25%
Operating Expenses	-123	-57	-123	115%	0%
Operating Profit	39	98	91	-61%	-58%
Net Income	106	102	96	5%	11%
EPS	0.56	0.54	0.51	5%	11%

Margins (%)					
Gross Margin	23.6	22.8	31.8	82 bps	-819 bps
Operating Margin	5.6	14.4	13.5	-876 bps	-789 bps
Net Margin	15.5	14.9	14.2	63 bps	131 bps

Rating Summary and Forecasts

Rating Summary

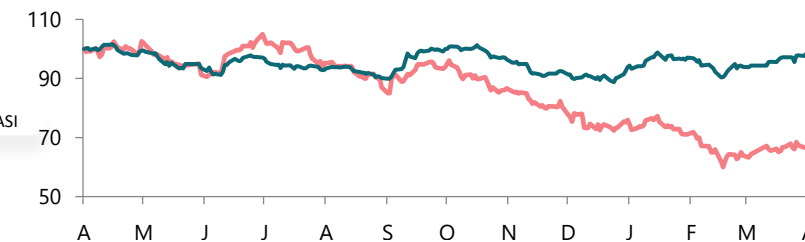
Rating	Buy
Market Price	32
12-month Target Price	42
Upside / Downside	30%
Mkt Cap (SAR mn)	6,046
52 week High/Low	SAR 51.70/ 29.26

Forecasts

	12/25 A	12/26 A	12/27 E	12/28 E
Net Income (SAR mn)	405	374	426	492
PER (x)	15	16	14	12
PBV (x)	2.4	2.2	2.0	1.8
EPS (SAR)	2.2	2.0	2.3	2.6
DPS (SAR)	2.0	1.5	2.0	2.4
RoE (%)	16%	13%	14%	15%
Dividend Yield (%)	6%	5%	6%	7%

Price Chart

● SGS ● TASI



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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