

Result update

Saudi Ground Services Co

Sector : Support Services

BUY

07 December 2025

- **Revenue up 2.2% YoY, with increase in number of flights handled.**
- **Margins improved YoY but slightly below our projections.**
- **Profit up by 24% YoY but fell short of forecast by 8.6%.**
- **Reduce our revenue and profit estimates, lower target price to SAR 46.50 and reiterate our BUY rating.**

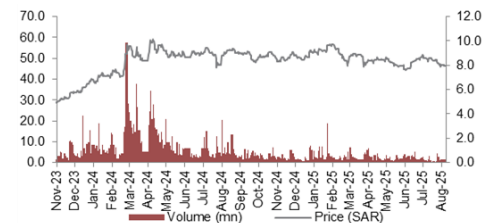
Saudi Ground Services (SGS) reported 3Q25 revenue of SAR 683mn, reflecting modest 2.2% YoY growth but fell 7% below our forecast. For 9M25, revenue grew 1.76% YoY to SAR 2bn. Growth during the quarter was due to higher number of flights handled, supported by easing geopolitical tensions and the reopening of airspaces. Gross profit rose 10.4% YoY as direct costs remained stable owing to efficiency improvements and expense rationalization initiatives. Hence, gross margins expanded 170bps YoY to 22.8% in 3Q25. Net operating expenses declined 13.5% YoY led by lower general and administrative spending and provision reversals, partially offset by a 48% YoY drop in other income. Consequently, operating profit grew 31.5% YoY, with EBIT and EBITDA margins expanding 320bps and 360bps YoY to 14.4% and 21.5%, respectively in 3Q25. Finance income and costs were stable, while income from associates and investments remained broadly unchanged. Net profit for the quarter reached SAR 102mn, up 24.3% YoY with net margins improving 260bps YoY to 14.9% vs 12.2% in 3Q24. Profit was 8.6% below our projections and margins were slightly weaker than expected. For 9M25, net profit rose 29% YoY to SAR 299mn. SGS announced interim cash dividends of SAR 188mn (SAR 1/share) for 1H25, representing a 95% payout ratio. The full-year dividend yield is 4.5%, slightly above our expectations.

Valuation and outlook: SGS plays a critical role in Saudi Arabia's ground-handling infrastructure, operating across 29 airports with a dominant 92% market share. The company is well positioned to benefit from the ongoing expansion of the Kingdom's aviation sector, aligned with Saudi Arabia's target of 330mn passengers by 2030. Its strong airline partnerships, most notably the 6.5-year, SAR 1.5bn contract with Riyadh Air provide a solid foundation for long-term growth. Riyadh Air recently ordered 60 Airbus A321neo aircraft, increasing its total backlog to 132. This brings the combined order backlog of Saudi national carriers to 550 aircraft, with the total fleet expected to exceed 535 aircraft by 2030. This expansion should directly translate into higher flight volumes handled by SGS over the medium to long term. However, current results fell short of our projections, hence we trim our 2025 revenue forecast to SAR 2.75bn (from SAR 2.8bn) and net profit to SAR 401mn (from SAR 420mn). Consequently, we reduce our target price to SAR 46.50 (from SAR 53/share), which still provides 18.6% upside from current levels. Given its asset-light balance sheet and favorable industry dynamics, we reiterate our BUY rating on SGS. At the current price, the stock trades at 18.4x 2025e P/E.

Target price (SAR) 46.50

Current price (SAR) 39.20

Return 18.60%



Exchange Saudi Arabia
Index weight (%) 0.20%

(mn)	SAR	USD
Market Cap	7,370	1,964
Enterprise value	8,526	2,272

Major shareholders

Saudi Arabian Airline	53%
Vanguard Group Inc/T	2.0%
Blackrock Inc	1.0%
Others	44.5%

Valuation Summary

PER TTM (x)	18.7
P/Book (x)	3.0
EV/EBITDA (x)	14.5
Dividend Yield (%)	5.1
Free Float (%)	45%
Shares O/S (mn)	188
YTD Return (%)	-23%
Beta	1.1

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%

Price performance (%)	1M	3M	12M
Saudi Ground Services Co	-9%	-13%	-22%
Tadawul All Share Index	-7%	-1%	-11%

52 week	High	Low	CTL*
Price (SAR)	57.10	38.98	0.6

* CTL is % change in CMP to 52wk low



Income Statement (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	1,608	1,977	2,459	2,684	2,752	3,011	3,312	3,643
Direct Costs	-1,413	-1,818	-2,050	-2,063	-2,132	-2,318	-2,550	-2,769
Gross profit	195	159	409	621	620	693	762	874
Other income (Net)	10	27	52	61	43	50	50	50
Gen and Admin exp	-300	-286	-210	-270	-271	-301	-298	-328
Impairment on trade receivables	-79	-19	-23	-94	2	-	-	-
Operating Profit	-173	-120	228	319	394	441	514	596
EBITDA	-4	62	411	500	580	672	790	903
Finance cost	-27	-31	-31	-14	-12	-11	-10	-10
Interest income	-	8	40	28	30	30	30	30
P&L investments at FV P&L	14	41	10	17	14	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	454	505	579	661
Zakat and income tax	-40	-167	-59	-51	-53	-63	-72	-83
Net Profit	-254	-244	211	327	401	442	506	579
Balance Sheet (in SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property, plant and equipment	471	433	487	559	542	562	566	572
Right of use assets	122	129	225	141	180	210	236	259
Intangible assets	813	776	747	723	700	675	649	624
Other non current assets	113	165	138	237	124	124	124	124
Non-current assets	1,519	1,503	1,596	1,661	1,546	1,571	1,575	1,579
Inventories	6	10	5	9	6	7	8	8
Trade and other receivables	1,067	1,153	1,248	1,191	1,183	1,295	1,490	1,639
Prepayments and other assets	608	631	679	697	853	933	1,027	1,129
Investments - FVOCI	1,391	209	124	214	-	-	-	-
Cash and cash equivalents	255	864	579	87	121	224	211	337
Current assets	3,328	2,868	2,636	2,607	2,814	3,110	3,386	3,764
ASSETS	4,847	4,371	4,231	4,268	4,359	4,680	4,962	5,343
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	659	780	933	1,107
Equity	2,265	2,102	2,331	2,514	2,539	2,660	2,813	2,987
Loans and borrowings	471	449	-	-	-	-	-	-
Lease liability	79	78	151	85	118	119	119	119
Employees' end of service benefits	581	550	559	562	602	669	662	729
Non-current liabilities	1,131	1,077	710	647	720	788	781	848
Loans and borrowings	713	176	100	-	-	-	-	-
Lease liability	21	54	86	81	97	97	97	97
Trade payable and other liabilities	84	92	131	116	64	70	77	83
Other current liabilities	634	870	873	910	939	1,066	1,194	1,328
Current liabilities	1,451	1,191	1,190	1,107	1,100	1,232	1,368	1,509
LIABILITIES	2,582	2,269	1,900	1,754	1,820	2,020	2,149	2,356
EQUITY AND LIABILITIES	4,847	4,371	4,231	4,268	4,359	4,680	4,962	5,343
Cash Flow (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	-2	32	342	495	496	430	517	583
Investing cash flow	-468	1,165	-546	-146	-92	-151	-166	-182
Financing cash flow	629	-587	-582	-341	-370	-177	-364	-275
Change in cash	159	610	-786	8	34	103	-13	126
Beginning cash	96	256	865	79	87	121	225	212
Ending cash	256	865	79	87	121	225	212	337



Ratio Analysis	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share								
EPS (SAR)	-1.35	-1.30	1.12	1.74	2.14	2.35	2.69	3.08
BVPS (SAR)	12.05	11.18	12.40	13.37	13.51	14.15	14.96	15.89
DPS (SAR)	-	-	-	2.00	1.71	1.88	2.15	2.46
FCF per share (SAR)	-2.50	6.37	-1.08	1.86	2.15	1.49	1.87	2.13
Valuation								
Market Cap (SAR mn)	5,555	4,106	6,796	9,607	7,370	7,370	7,370	7,370
EV (SAR mn)	6,484	3,866	6,817	9,520	7,248	7,145	7,158	7,032
EBITDA	-4	62	411	500	580	672	790	903
P/E (x)	-21.8	-16.8	32.1	29.4	18.4	16.7	14.6	12.7
EV/EBITDA (x)	-1,712.7	62.2	16.6	19.0	12.5	10.6	9.1	7.8
Price/Book (x)	2.5	2.0	2.9	3.8	2.9	2.8	2.6	2.5
Dividend Yield (%)	0.0%	0.0%	0.0%	3.9%	4.4%	4.8%	5.5%	6.3%
Price to sales (x)	3.5	2.1	2.8	3.6	2.7	2.4	2.2	2.0
EV to sales (x)	4.0	2.0	2.8	3.5	2.6	2.4	2.2	1.9
Liquidity								
Cash Ratio (x)	0.18	0.73	0.07	0.08	0.11	0.18	0.15	0.22
Current Ratio (x)	2.29	2.41	2.21	2.35	2.56	2.52	2.48	2.50
Quick Ratio (x)	2.29	2.40	2.21	2.35	2.55	2.52	2.47	2.49
Returns Ratio								
ROA (%)	-5.2%	-5.6%	5.0%	7.7%	9.2%	9.4%	10.2%	10.8%
ROE (%)	-11.2%	-11.6%	9.1%	13.0%	15.8%	16.6%	18.0%	19.4%
ROCE (%)	-7.5%	-7.7%	7.0%	10.3%	12.3%	12.8%	14.1%	15.1%
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%	14.6%	14.7%	15.3%	15.9%
EBITDA Margins (%)	-0.2%	3.1%	16.7%	18.6%	21.1%	22.3%	23.9%	24.8%
PBT Margins (%)	-13.3%	-3.9%	11.0%	14.1%	16.5%	16.8%	17.5%	18.2%
EBIT Margins (%)	-10.8%	-6.1%	9.3%	11.9%	14.3%	14.7%	15.5%	16.4%
Effective Tax Rate (%)	18.7%	215.0%	-21.9%	-13.4%	-11.6%	-12.5%	-12.5%	-12.5%
Leverage								
Total Debt (SAR mn)	1,184	625	100	-	-	-	-	-
Net Debt (SAR mn)	929	-240	21	-87	-121	-224	-211	-337
Net Debt/EBITDA	-245.35	-3.86	0.05	-0.17	-0.21	-0.33	-0.27	-0.37
Debt/Equity (x)	0.24	0.14	0.02	-	-	-	-	-



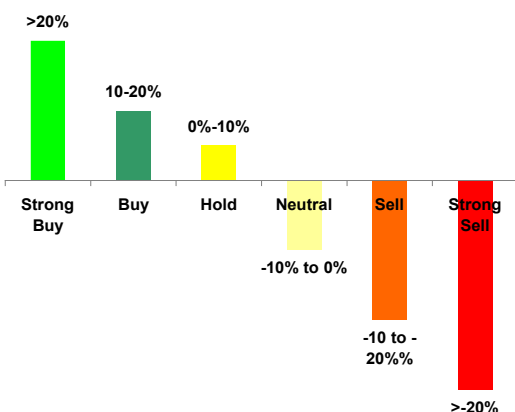
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joice@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

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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