Saudi Ground Services Co.

Profitability expands amid cost efficiencies

Rating: Overweight | Target Price: SAR 53.6

November 10, 2025

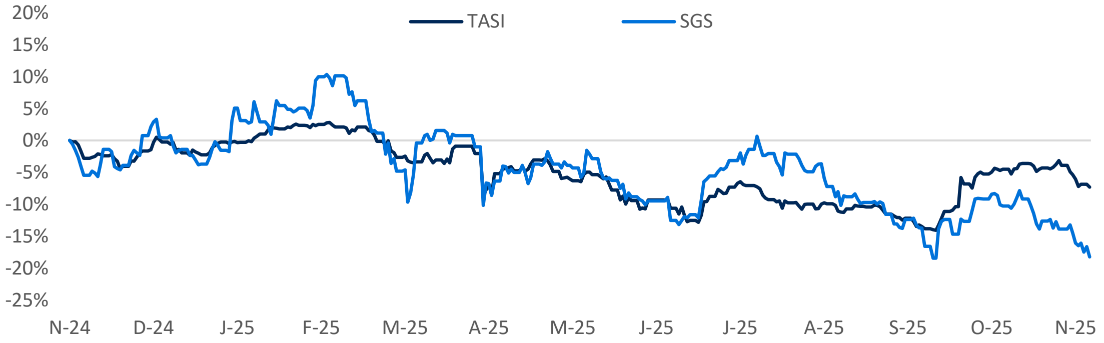
Market Data		Valuations	2024A	2025E	2026F	2027F
Last Price (SAR)*	41.9	Net Income (SAR mn)	327	405	462	538
Target Price (SAR)	53.6	EPS (SAR)	1.7	2.2	2.5	2.9
Upside / Downside (%)	28.1	PER (x)	24.1	19.5	17.0	14.6
Market Cap (bn) (SAR/USD)	8/2	P/BV (x)	3.1	3.0	2.7	2.4
52 week High / Low (SAR)	57/41	DPS (SAR)	2.0	1.6	2.0	2.3
12-month ADTV (mn) (SAR/USD)	20/5	Div. Yield (%)	4.8	3.9	4.7	5.5
YTD Return (%)	-18.1	RoAE (%)	13.5	15.7	16.7	17.5
Bloomberg Code	SGS AB	RoAA (%)	7.7	9.3	10.1	11.1

*last price as of 09th November 2025

Financials (SAR mn)	3Q25A	3Q25E*	*Var (%)*	3Q24A	*YoY (%)*	2Q25A	*QoQ (%)*
Revenue	**683**	**728**	***-6.2***	**669**	***2.2***	**689**	***-0.8***
Cost of revenue	(528)	(560)	*-5.8*	(528)	*0.0*	(551)	*-4.2*
Gross profit	**156**	**168**	***-7.4***	**141**	***10.4***	**138**	***12.8***
Gross margin (%)	*22.8*	*23.1*	-	*21.1*	-	*20.0*	-
OPEX	(57)	(74)	*-22.7*	(66)	*-13.5*	(41)	*40.0*
Operating profit	**98**	**94**	***4.7***	**75**	***31.5***	**97**	***1.3***
Operating margin (%)	*14.4*	*13.0*	-	*11.2*	-	*14.1*	-
Net income	**102**	**105**	***-3.7***	**82**	***24.3***	**99**	***2.1***
Net margin (%)	*14.9*	*14.5*	-	*12.2*	-	*14.4*	-
EPS	***0.54***	***0.56***	-	***0.43***	-	***0.53***	-
DPS	-	-	-	-	-	1.00	-

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg, and anbc research

Saudi Ground Services Co. (SGS) reported a net profit of SAR 102 mn (EPS: SAR 0.54) in 3Q25, up 24.3% YoY and 2.1% QoQ. The results were broadly in line with our net profit estimate of SAR 105 mn. Profitability improved on the back of increased number of flights, higher gross margins (up 170 bps YoY), and reduction in impairment losses of SAR 16.8 mn. We maintain our "Overweight" rating on SGS with a target price of SAR 53.6/share, implying a potential upside of 28.1%.

- Revenue for the quarter increased 2.2% YoY to SAR 683 mn (down 0.8% QoQ). The YoY growth was driven by a higher number of flights handled, while the sequential decline is due to the Hajj and Umrah season in the previous quarter. For 9M25, revenue clocked in at SAR 2,044 mn, up 1.8% YoY.
- Supported by productivity enhancement and expense rationalization initiatives, cost of revenue remained stable YoY, resulting in a 10.4% YoY increase in gross profit to SAR 156 mn in 3Q25. Consequently, gross margins improved to 22.8%, compared to 21.1% in 3Q24, largely in line with our estimated gross margins of 23.1%. For 9M25, gross margins expanded by 2.1 percentage points YoY to 22.4%.
- Operating expenses for the quarter fell 13.5% YoY, primarily due to lower impairment losses of SAR 16.8 mn, reflecting management's continued collection efforts. The impact of the lower impairment loss was partially offset by a 48.2% YoY decrease in other income. Total operating profit rose 31.5% YoY to SAR 98 mn for the quarter, with operating margins improving to 14.4% versus 11.2% in 3Q24. For 9M25, company's operating profit rose to SAR 293 mn, up 31.3% YoY.
- Improved operating and gross level performance led to higher profitability, with net income rising 24.3% YoY to SAR 102 mn in 3Q25. The result came in line with our estimate of SAR 105 mn. Sequentially, despite lower gross margins, net income increased 2.1%. This increase was supported by a 0.3 percentage point improvement in operating margins and SAR 1.4 mn rise in net finance income. For 9M25, net income margins expanded to 14.6%, up from 11.5% in 9M24.
- *Looking ahead, we expect full year 2025e net margins to expand by 2.2 percentage points to 14.4%, mainly driven by improved operational performance of the company. SGS currently trades at a 2026f P/E of 17.0x, below its 10-year historical average (ex-Covid) of 18.5x, and at a P/BV of 2.7x, compared to a historical average of 3.1x. The stock is down 18.2% YoY, underperforming the broader market which fell 7.3% over the same period. We maintain our 'Overweight' stance on the stock with a target price of SAR 53.6 implying a potential upside of 28.1%.*

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OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Expected return is more than +15%	Expected return is between +15% & -10%	Expected return is lower than -10%

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