

Gas Arabian Services Co. (GAS) (HOLD, TP: SAR 16.8, 4146.SE) 2Q26 Results Review

Technical services carry the quarter; backlog draws down on slow awards

Gas Arabian Services reported a 2Q26 net profit of SAR 43mn, up 10% Y/Y and 12% Q/Q. Revenue rose 14% Y/Y to SAR 364mn, with the mix heavily skewed toward Technical Services, which grew 47% Y/Y and accounted for 67% of total revenue, against a 24% Y/Y decline in Trading. Gross margin came in at 18.3%, down 119bps Y/Y on Trading compression but up 19bps Q/Q, extending the recovery from the 13.6% posted in 2H25. The weak spot was order intake, closing backlog fell to SAR 1.55bn from SAR 1.77bn at Mar'26 on new orders of around SAR 147mn in the quarter.

- Revenue grew 14% Y/Y and 1% Q/Q to SAR 364mn, with the mix shifting further toward execution. Technical Services rose 47% Y/Y and 17% Q/Q to SAR 244mn, with long-term projects up 42% Y/Y to SAR 220mn while short-cycle technical work fell 34% Y/Y to SAR 24mn. Trading declined 24% Y/Y to SAR 108mn, easing to 30% of revenue from 44% in 2Q25, while Manufacturing rose 13% Y/Y to SAR 13mn. For 1H26, revenue was up 13% Y/Y at SAR 726mn.
- Gross profit rose 7% Y/Y to SAR 67mn, with gross margin down 119bps Y/Y at 18.3% but up 19bps Q/Q. There was divergence at the segment level, Trading margin compressed to 16.3% from an unusually strong 27.4% in 2Q25, while Technical Services improved to 15.9% from 11.2% and Manufacturing came in at 80.4% versus 40.4%, which management attributes to the phase of the projects delivered rather than a change in product mix. Management is targeting 14-18% in Technical Services, 18-20% in Trading and 30-40% in Manufacturing.
- G&A expenses fell 6.5% Y/Y and 5.2% Q/Q to SAR 33mn, improving to 9% of revenue from 11% in 2Q25. Operating profit rose 13% Y/Y and 22% Q/Q to SAR 45mn, with operating margin broadly flat Y/Y at 12.2% but up 209bps Q/Q. EBITDA increased 17% Y/Y and 19% Q/Q to SAR 56mn, with EBITDA margin improving 38bps Y/Y and 233bps Q/Q to 15.2%.
- JV and associate income of SAR 12mn nearly doubled Q/Q from SAR 6mn in 1Q26 and was down a marginal 4% Y/Y against a strong 2Q25 base. The 12.9% stake in EagleBurgmann Saudi Arabia and 40% stake in TCR Arabia contributed SAR 4.9mn till Jun'26. Across the wider portfolio of ten JVs, management indicated a full-year 2026 contribution of around SAR 35mn.
- Closing backlog stood at SAR 1.55bn, down 12% Q/Q from SAR 1.77bn at Mar'26 and 22% below the SAR 1.98bn at Dec'25. New orders were around SAR 147mn in the quarter, broadly unchanged from SAR 148mn in 1Q26, taking 1H26 intake to SAR 296mn against SAR 1.76bn for full-year 2025. By segment, Technical Services carried 70% of the closing book at SAR 1.09bn but booked only SAR 73mn of new work in the half against SAR 452mn of revenue, a segment book-to-bill of 0.16x. Trading closed at SAR 289mn and Manufacturing at SAR 178mn. Backlog coverage now stands at around 1.1x annualised revenue, against 1.2x at Dec'25. Management characterised the current book as healthy for the company's size and stated it covers execution through to the beginning of 2028.
- Saudi Aramco revalidated the company under CAT I for Onshore Pipelines Projects in 2Q26, effective to Apr'31, lifting the single-project ceiling to SAR 562.5mn from SAR 300mn. Separately, GAS signed a six-year In-Plant LTA with Aramco on 30 Apr'26 covering mechanical, electrical, communication, civil and structural works, piping, instrumentation and painting, with a further six-year renewal period.
- The main negative remains order intake. New orders of SAR 296mn in 1H26 against SAR 1.76bn in 2025 imply a book-to-bill of 0.41x and took closing backlog down 22% from Dec'25. We see this as a timing issue rather than a demand signal. Management was explicit that the regional geopolitical situation has slowed the pace at which customers are finalising award decisions, and there is no evidence of scope being cancelled or retendered; the underlying Jafurah, Master Gas System and SPPC IPP programmes remain funded and in execution. Accordingly, we reduce our 2026 non-recurring new backlog additions, reflecting the absence of material awards in 1H26 and limited visibility on closing in 2H26, while slightly raising recurring orders on the strength of the Trading and services renewal base. This reduces our 2026 closing backlog to SAR 1.13bn from SAR 1.98bn at Dec'25. On this basis we cut our 2026 and 2027 net profit estimates by 10% and 16% respectively. We keep 2028-2030 broadly intact, on the view that the deferred award cycle is released rather than lost, and that CAT I and the In-Plant LTA together widen the addressable scope from 2027 onward, with the CAT I ceiling now covering package sizes the company was previously unable to bid. Balance sheet capacity is unchanged, with capex guided at around SAR 13mn in 2H26 and SAR 35mn in 2027 and management indicating no requirement for a change in capital structure. Dividend policy remains a rule of thumb of 45-60% of net profit, with the stock offering a 2026 dividend yield of around 3.2%. We lower our target price to SAR 16.8/share from SAR 17.5/share. With the stock up around 10% since our last update, we see the recent price move as having largely captured the near-term earnings trajectory, and with the award cycle yet to resume, we downgrade to HOLD.

Rating and Risks

We are HOLD rated on Gas Arabian Services, with a 12-month price target of SAR 16.8. Upside risks include an earlier-than-expected release of the deferred award cycle, first CAT I package wins ahead of our timeline. Downside risks include a prolonged pause in customer award committees, further erosion of Technical Services backlog coverage, intensified competition on CAT I packages where the company has no prior bidding history, and any slowdown in Saudi gas, power and industrial capex.

SAR mln	2Q26	1Q26	2Q25	Q/Q %	Y/Y %
Revenues	364	361	320	0.8%	14.0%
Gross Profit	67	65	62	1.9%	7.0%
Share in results of JV and Associates	12	6	12	96.3%	-3.9%
G&A Expenses	33	35	35	-5.2%	-6.5%
EBITDA	56	47	48	19.0%	16.9%
Net Income attributable to Equity holders	43	38	39	12.1%	10.1%
EPS	0.27	0.24	0.25	12.1%	10.1%

Margins (%)

Gross Margin	18.3	18.1	19.5	19 bps	-119 bps
EBITDA Margin	15.2	12.9	14.9	233 bps	38 bps
Net Margin	11.7	10.6	12.1	117 bps	-41 bps

Rating Summary and Forecasts

Rating Summary

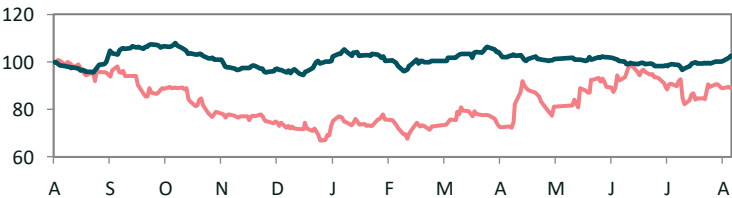
Rating	HOLD
Market Price	16.0
12-month Target Price	16.8
Upside / Downside	5%
Mkt Cap (SAR mn)	2,530
52 week High/Low	18.14/12.03

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	151	155	174	198
PER (x)	16.7	16.3	14.6	12.8
PBV (x)	5.2	4.6	4.0	3.5
EPS (SAR)	1.0	1.0	1.1	1.3
DPS (SAR)	0.4	0.5	0.6	0.7
RoE (%)	34.0	29.9	29.1	28.9
Dividend Yield (%)	2.7	3.2	3.6	4.2

Price Chart

● GAS ● 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.

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