

Saudi Ground Services Co

Sector : Support Services

HOLD

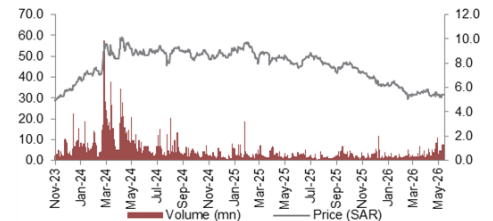
31 May 2026

- Revenue broadly flat YoY in 1Q26 and exceeded our forecast by 10%.
- Overall margins declined YoY and underperformed our estimates due to higher costs.
- Profit down 38% YoY and fell short of our projections.
- For 2026e, we raise our revenue forecast to SAR 2.8bn and reduce profit to SAR 345mn. We lower target price to SAR 33.00 per share and retain our HOLD rating.

Target price (SAR) **33.00**

Current price (SAR) **31.32**

Return **5.40%**



Exchange Saudi Arabia
Index weight (%) 0.12%

(mn)	SAR	USD
Market Cap	5,888	1,569
Enterprise value	5,734	1,532

Major shareholders

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

Valuation Summary

PER TTM (x)	16.0
P/Book (x)	2.2
EV/EBITDA (x)	18.4
Dividend Yield (%)	3.2
Free Float (%)	44%
Shares O/S (mn)	188
YTD Return (%)	-14%
Beta	1.0

Key ratios	2023	2024	2025
EPS (SAR)	1.12	1.74	2.15
BVPS (SAR)	12.40	13.37	13.65
DPS (SAR)	0.00	2.00	2.00
Payout ratio (%)	0%	115%	93%

Price performance (%)	1M	3M	12M
Saudi Ground Services C	1%	-3%	-33%
Tadawul All Share Index	-1%	3%	0%

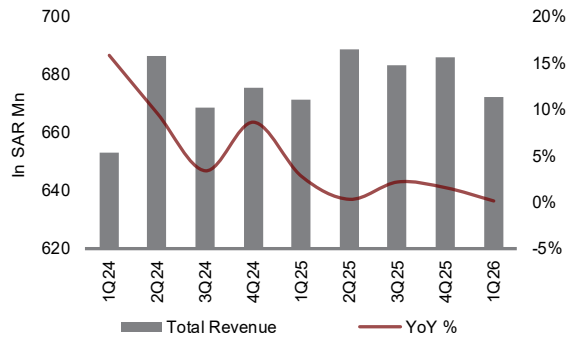
52 week	High	Low	CTL*
Price (SAR)	51.70	29.26	7.0

* CTL is % change in CMP to 52wk low

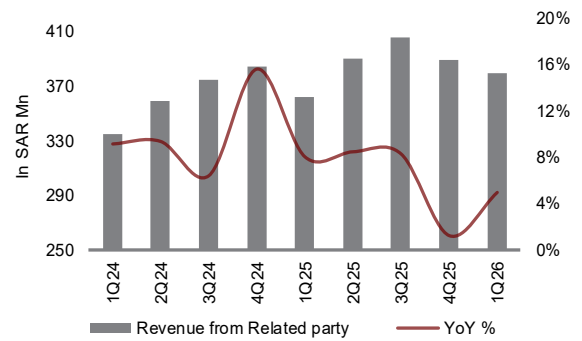
Saudi Ground Services (SGS) reported 1Q26 revenue of SAR 672mn, broadly stable YoY. Revenue came in 10% above our forecast, as we had adopted a conservative stance amid ongoing regional conflict, anticipating a sharp reduction in capacity due to airspace closures and temporary operational disruptions. Revenue was supported by increased operational activities during the Umrah season at the beginning of the quarter, partially offset by a decline in March 2026. Gross profit declined 34% YoY as direct costs outpaced revenue growth, rising 11.2% YoY. As a result, gross margin narrowed by 830bps YoY to 16% in 1Q26. Net operating expenses increased 21.1% YoY led by higher general and administrative expenses, partially offset by a 30.3% YoY surge in other income. Consequently, operating profit declined 72% YoY, with EBIT and EBITDA margins narrowing by 1040bps and 960bps YoY to 4.1% and 11.6%, respectively. Finance costs decreased 10.8% YoY due to lower interest expense on lease liabilities, while finance income rose 49.7% YoY supported by stronger cash balances. Income from associates declined 19.6% YoY, while the company benefited from a reversal of zakat provisions of SAR 21.5mn during the quarter. Consequently, net profit reached SAR 60.5mn, down 38.1% YoY, with net margin contracting 550bps YoY to 9% in 1Q26. Profitability came in 21% below our forecast and margins across the board underperformed projections due to higher-than-expected costs.

Valuation and outlook: SGS maintains a dominant 91% market share in KSA's ground-handling sector, operating across 29 airports. Recently, the company signed a contract with Riyadh Airports Company valued at SAR 315mn for a five-year term commencing on 1 May 2026, with an option to extend for up to three additional years. The contract will be executed through a consortium with Jusoor Airports Operation and Maintenance Company, in which SGS holds a 51% ownership stake. The services include the operation and facilities management of passenger boarding bridges, ground power units, pre-conditioned air systems, and visual docking guidance systems at King Khalid International Airport in Riyadh. The financial impact of the contract is expected to begin from 2Q26. While, revenue exceeded expectations, profitability and overall margins fell short of projections. Despite the revenue outperformance, growth risks remain elevated amid ongoing geopolitical escalation. Based on the current results, we raise our 2026e revenue forecast to SAR 2.8bn (from SAR 2.6bn) and lower our net profit estimate to SAR 345mn (from SAR 354mn). We therefore reduce our target price to SAR 33 (from SAR 36), implying limited upside of 5.4% from current levels and retain our HOLD rating on SGS. At the current price, the stock trades at 17.1x 2026e P/E.

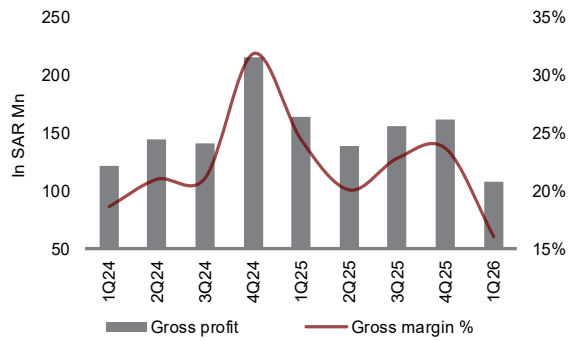
Revenue stable YoY supported by Umrah season



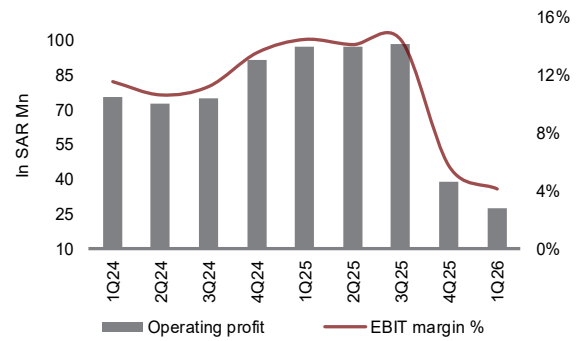
Revenue from related party grew 5% YoY in 1Q26



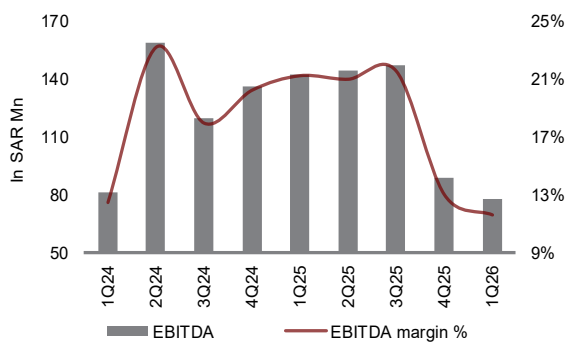
Higher direct costs pressured gross margin



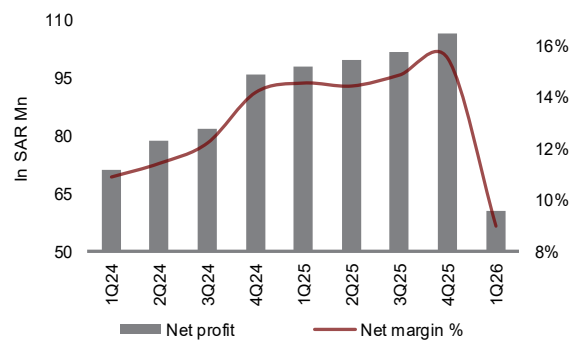
Operating cost inflation weighed on EBIT Margin



EBITDA margin compression continues in 1Q26



Escalating costs eroded net margins





Income Statement (In SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	1,977	2,459	2,684	2,730	2,804	3,003	3,218	3,450
Direct Costs	-1,818	-2,050	-2,063	-2,111	-2,227	-2,312	-2,446	-2,622
Gross profit	159	409	621	619	577	691	772	828
Other income (Net)	27	52	57	48	48	50	50	50
Gen and Admin exp	-286	-210	-270	-292	-305	-270	-322	-345
Impairment on trade receivables	-19	-23	-94	-43	-3	-15	-16	-17
Operating Profit	-120	228	314	331	317	455	484	516
EBITDA	62	411	496	522	519	683	738	798
Finance cost	-31	-31	-10	-10	-11	-12	-14	-16
Interest income	8	40	28	30	32	30	30	30
P&L investments at FV P&L	41	10	17	11	-	15	15	15
Share of P/L from asso & JV	24	23	28	67	26	30	30	30
Profit before Tax	-78	271	378	430	364	518	545	575
Zakat and income tax	-167	-59	-51	-25	-19	-65	-68	-72
Net Profit	-244	211	327	405	345	453	477	503

Balance Sheet (in SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Property, plant and equipment	433	487	559	684	640	683	726	769
Right of use assets	129	225	141	168	216	301	384	463
Intangible assets	776	747	723	700	677	651	626	601
Other non current assets	165	138	237	268	174	174	174	174
Non-current assets	1,503	1,596	1,661	1,820	1,708	1,810	1,910	2,008
Inventories	10	5	9	9	7	7	7	8
Trade and other receivables	1,153	1,248	1,191	1,059	953	1,051	1,126	1,208
Prepayments and other assets	631	679	697	677	701	751	805	863
Cash and cash equivalents	864	579	87	255	256	487	583	636
Current assets	2,868	2,636	2,607	2,505	2,522	2,901	3,126	3,319
ASSETS	4,371	4,231	4,268	4,325	4,229	4,711	5,037	5,326
Share capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Retained earnings	-277	-69	634	686	654	832	946	1,068
Equity	2,102	2,331	2,514	2,566	2,534	2,712	2,826	2,948
Loans and borrowings	449	-	-	-	-	-	-	-
Lease liability	78	151	85	117	145	174	201	228
Employees' end of service benefits	550	559	562	592	622	552	657	704
Non-current liabilities	1,077	710	647	709	767	725	858	932
Loans and borrowings	176	100	-	-	-	-	-	-
Lease liability	54	86	81	53	68	82	95	107
Trade payable and other liabilities	92	131	116	106	111	116	122	131
Other current liabilities	870	873	910	891	748	1,076	1,136	1,208
Current liabilities	1,191	1,190	1,107	1,050	928	1,274	1,353	1,447
LIABILITIES	2,269	1,900	1,754	1,759	1,695	1,999	2,210	2,379
EQUITY AND LIABILITIES	4,371	4,231	4,268	4,325	4,229	4,711	5,037	5,326

Cash Flow (In SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	32	342	495	740	716	620	517	622
Investing cash flow	1,165	-546	-146	-110	-84	-180	-193	-207
Financing cash flow	-587	-582	-341	-462	-631	-209	-228	-363
Change in cash	610	-786	8	168	1	231	96	52
Beginning cash	256	865	79	87	255	256	487	583
Ending cash	865	79	87	255	256	487	583	636



Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	-1.30	1.12	1.74	2.15	1.83	2.41	2.54	2.68
BVPS (SAR)	11.18	12.40	13.37	13.65	13.48	14.43	15.03	15.68
DPS (SAR)	-	-	2.00	2.00	1.47	1.93	2.03	2.14
FCF per share (SAR)	6.37	-1.08	1.86	3.35	3.36	2.34	1.72	2.21
Valuation								
Market Cap (SAR mn)	4,106	6,796	9,607	6,824	5,888	5,888	5,888	5,888
EV (SAR mn)	3,866	6,817	9,520	6,569	5,632	5,401	5,305	5,253
EBITDA	62	411	496	522	519	683	738	798
P/E (x)	-16.8	32.1	29.4	16.9	17.1	13.0	12.3	11.7
EV/EBITDA (x)	62.2	16.6	19.2	12.6	10.9	7.9	7.2	6.6
Price/Book (x)	2.0	2.9	3.8	2.7	2.3	2.2	2.1	2.0
Dividend Yield (%)	0.0%	0.0%	3.9%	5.5%	4.7%	6.2%	6.5%	6.8%
Price to sales (x)	2.1	2.8	3.6	2.5	2.1	2.0	1.8	1.7
EV to sales (x)	2.0	2.8	3.5	2.4	2.0	1.8	1.6	1.5
Liquidity								
Cash Ratio (x)	0.73	0.07	0.08	0.24	0.28	0.38	0.43	0.44
Current Ratio (x)	2.41	2.21	2.35	2.38	2.72	2.28	2.31	2.29
Quick Ratio (x)	2.40	2.21	2.35	2.38	2.71	2.27	2.31	2.29
Returns Ratio								
ROA (%)	-5.6%	5.0%	7.7%	9.4%	8.1%	9.6%	9.5%	9.4%
ROE (%)	-11.6%	9.1%	13.0%	15.8%	13.6%	16.7%	16.9%	17.1%
ROCE (%)	-7.7%	7.0%	10.3%	12.4%	10.4%	13.2%	13.0%	13.0%
Cash Cycle								
Accounts Payable turnover (x)	19.8	15.7	17.8	20.0	20.0	20.0	20.0	20.0
Receivables turnover (x)	1.7	2.0	2.3	2.6	2.9	2.9	2.9	2.9
Payable Days	18	23	20	18	18	18	18	18
Receivables days	213	185	162	142	124	128	128	128
Cash Cycle	196	163	143	125	107	111	111	111
Profitability Ratio								
Net Margins (%)	-12.4%	8.6%	12.2%	14.8%	12.3%	15.1%	14.8%	14.6%
EBITDA Margins (%)	3.1%	16.7%	18.5%	19.1%	18.5%	22.7%	22.9%	23.1%
PBT Margins (%)	-3.9%	11.0%	14.1%	15.7%	13.0%	17.3%	16.9%	16.7%
EBIT Margins (%)	-6.1%	9.3%	11.7%	12.1%	11.3%	15.2%	15.1%	14.9%
Effective Tax Rate (%)	215.0%	-21.9%	-13.4%	-5.8%	-5.3%	-12.5%	-12.5%	-12.5%
Leverage								
Total Debt (SAR mn)	625	100	-	-	-	-	-	-
Net Debt (SAR mn)	-240	21	-87	-255	-256	-487	-583	-636
Net Debt/EBITDA	-3.86	0.05	-0.18	-0.49	-0.49	-0.71	-0.79	-0.80
Debt/Equity (x)	0.14	0.02	-	-	-	-	-	-

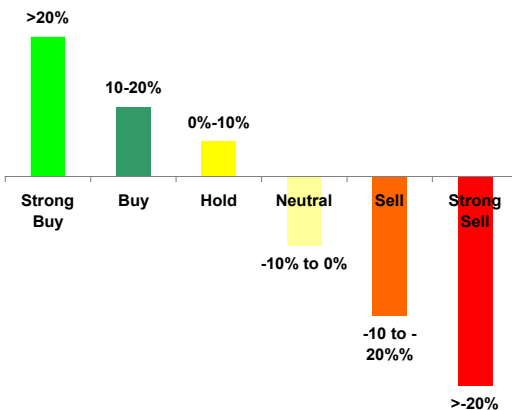
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Rating Criteria and Definitions

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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