Result update

Saudi Ground Services Co

Sector : Support Services

HOLD

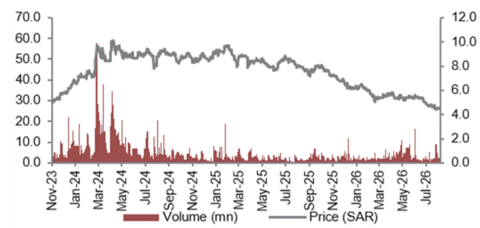
19 August 2026

- **Revenue declined 7.8% YoY in 2Q26, reflecting the temporary lull in airport operations; came in 8.4% below our forecast.**
- **Overall margins declined YoY and underperformed our estimates due to higher costs.**
- **Reported net loss of SAR 57mn in 2Q26 vs a net profit of SAR 99mn in 2Q25 and fell short of our projections.**
- **For 2026e, we reduce our revenue forecast to SAR 2.7bn and profit to SAR 118mn. We lower target price to SAR 28.50 per share and retain our HOLD rating.**

Saudi Ground Services (SGS) reported 2Q26 revenue of SAR 635mn, down 7.8% YoY and 8.4% below our forecast. For 1H26, revenue declined 4% YoY to SAR 1.3bn. The revenue decline was primarily due to lower operational activity following the airspace closures resulting from geopolitical tensions. Gross profit declined significantly to SAR 10mn in 2Q26 from SAR 138mn in 2Q25, as direct costs outpaced revenue growth, rising 13.4% YoY. As a result, gross margin narrowed by 1840bps YoY to 1.6% in 2Q26. Net operating expenses increased 76.3% YoY led by higher general and administrative expenses and lower other income. Consequently, the company reported an operating loss of SAR 62mn, resulting in negative EBIT and EBITDA margins. Finance costs increased 17% YoY due to higher interest expenses on lease liabilities, while finance income rose 39% YoY. Income from associates grew 4.5% YoY in 2Q26. Consequently, SGS reported a net loss of SAR 57mn, compared with a net profit of SAR 99mn in 2Q25. This was significantly below our forecast of SAR 81mn in net profit, with margins across the board underperforming our projections due to higher-than-expected costs. Net profit for 1H26 declined significantly to SAR 3.9mn from SAR 197mn in 1H25.

Valuation and outlook: SGS continues to maintain operational readiness to support the Hajj and Umrah seasons and ensure the availability of resources required for the recovery in operational activity. The company holds a dominant 91% market share in Saudi Arabia's ground-handling sector and operates across 29 airports. During the quarter, SGS signed a five-year contract with Riyadh Airports Company valued at SAR 315mn. The company also received a five-year contract from Saudi Airlines for Air Transport Company to provide ground-handling, ramp, and passenger services for its domestic and international flights across all airports in the Kingdom. The contract is valued at SAR 6.3bn over five years and is expected to support the company's operational performance. Revenue, profitability and overall margins fell short of our projections due to lower-than-expected operational activity. Based on the current results, we reduce our 2026e revenue forecast to SAR 2.7bn and lower our net profit estimate to SAR 118mn (from SAR 345mn). Growth risks remain elevated amid ongoing geopolitical escalation and uncertainty surrounding the resumption of airport operations. We therefore reduce our target price to SAR 28.50 (from SAR 33), implying limited upside of 6.4% from current levels and retain our HOLD rating on SGS. At the current price, the stock trades at a relatively high 42.8x 2026e P/E.

Target price (SAR)	**28.50**
Current price (SAR)	**26.78**
Return	**6.4%**



Exchange	Saudi Arabia
Index weight (%)	0.1%

(mn)	SAR	USD
Market Cap	5,035	1,340
Enterprise value	5,730	1,525

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

Valuation Summary	
PER TTM (x)	13.5
P/Book (x)	1.9
EV/EBITDA (x)	16.8
Dividend Yield (%)	3.8
Free Float (%)	44%
Shares O/S (mn)	188
YTD Return (%)	-27%
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%

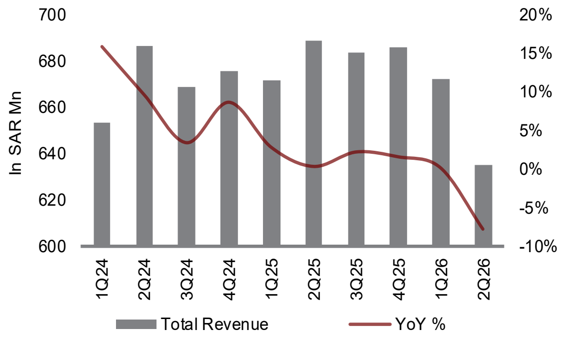
Price performance (%)	1M	3M	12M
Saudi Ground Services (	-5%	-13%	-43%
Tadawul All Share Index	2%	-1%	0%

52 week	High	Low	CTL*
Price (SAR)	47.68	25.20	4.7

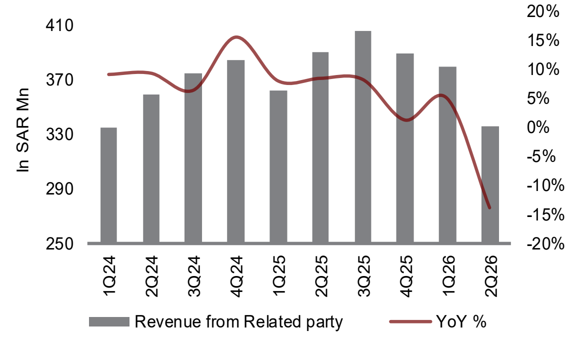
* CTL is % change in CMP to 52wk low

INVESTMENT RESEARCH – Saudi Arabia

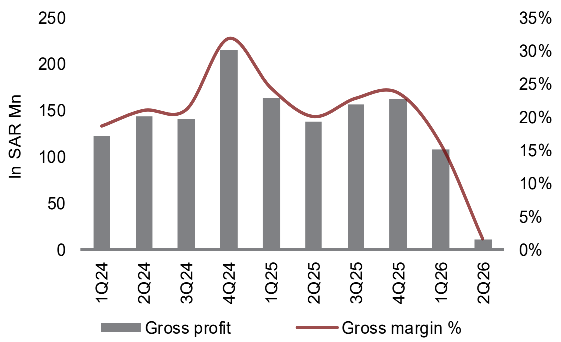
Revenue declined due to lower airport operations



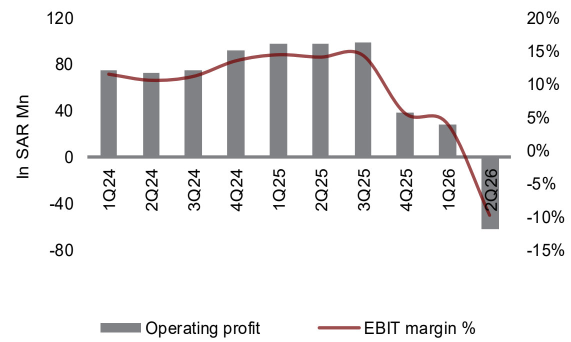
Revenue from related party down 14% YoY in 2Q26



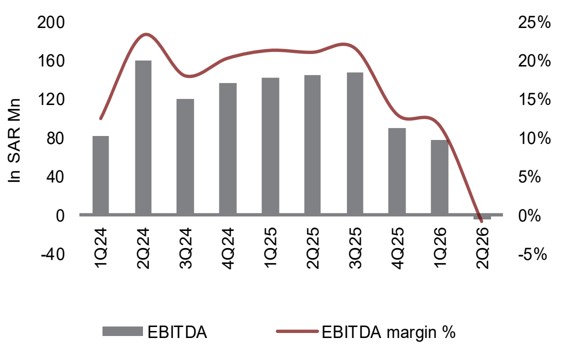
Higher direct costs pressured gross margin



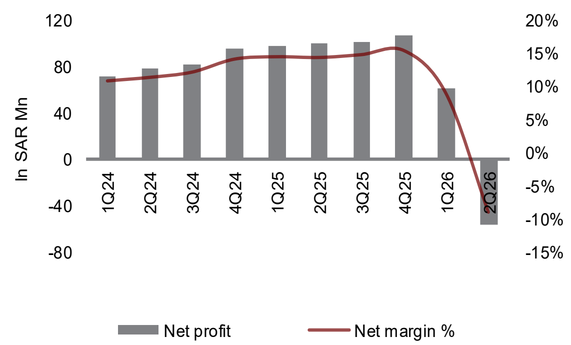
Rising operating costs weighed on EBIT margin



EBITDA margin contracted further in 2Q26



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	2,697	2,891	3,101	3,328
Direct Costs	-1,818	-2,050	-2,063	-2,111	-2,335	-2,226	-2,357	-2,529
Gross profit	**159**	**409**	**621**	**619**	**362**	**665**	**744**	**799**
Other income (Net)	27	52	57	48	26	50	50	50
Gen and Admin exp	-286	-210	-270	-292	-322	-289	-310	-333
Impairment on trade receivables	-19	-23	-94	-43	3	-14	-16	-17
Operating Profit	**-120**	**228**	**314**	**331**	**70**	**411**	**469**	**499**
EBITDA	**62**	**411**	**496**	**522**	**291**	**638**	**720**	**778**
Finance cost	-31	-31	-10	-10	-15	-12	-14	-16
Interest income	8	40	28	30	37	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	27	30	30	30
Profit before Tax	**-78**	**271**	**378**	**430**	**120**	**474**	**530**	**559**
Zakat and income tax	-167	-59	-51	-25	-2	-59	-66	-70
Net Profit	**-244**	**211**	**327**	**405**	**118**	**415**	**464**	**489**

Balance Sheet (in SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Property, plant and equipment	433	487	559	684	633	670	707	744
Right of use assets	129	225	141	168	197	278	355	431
Intangible assets	776	747	723	700	677	651	626	601
Other non current assets	165	138	237	268	181	181	181	181
Non-current assets	**1,503**	**1,596**	**1,661**	**1,820**	**1,688**	**1,780**	**1,869**	**1,957**
Inventories	10	5	9	9	7	7	7	8
Trade and other receivables	1,153	1,248	1,191	1,059	917	1,214	1,302	1,398
Prepayments and other assets	631	679	697	677	674	838	899	965
Cash and cash equivalents	864	579	87	255	71	120	181	207
Current assets	**2,868**	**2,636**	**2,607**	**2,505**	**2,224**	**2,734**	**2,944**	**3,132**
ASSETS	**4,371**	**4,231**	**4,268**	**4,325**	**3,912**	**4,514**	**4,814**	**5,089**
Share capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Retained earnings	-277	-69	634	686	427	748	880	998
Equity	**2,102**	**2,331**	**2,514**	**2,566**	**2,307**	**2,628**	**2,760**	**2,878**
Loans and borrowings	449	-	-	-	-	-	-	-
Lease liability	78	151	85	117	144	170	196	222
Employees' end of service benefits	550	559	562	592	671	556	596	640
Non-current liabilities	**1,077**	**710**	**647**	**709**	**814**	**726**	**792**	**862**
Loans and borrowings	176	100	-	-	-	-	-	-
Lease liability	54	86	81	53	68	80	92	104
Trade payable and other liabilities	92	131	116	106	117	67	71	76
Other current liabilities	870	873	910	891	606	1,013	1,099	1,169
Current liabilities	1,191	1,190	1,107	1,050	790	1,160	1,262	1,350
LIABILITIES	**2,269**	**1,900**	**1,754**	**1,759**	**1,604**	**1,886**	**2,054**	**2,211**
EQUITY AND LIABILITIES	**4,371**	**4,231**	**4,268**	**4,325**	**3,912**	**4,514**	**4,814**	**5,089**

Cash Flow (In SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	32	342	495	740	531	257	543	583
Investing cash flow	1,165	-546	-146	-110	-81	-173	-186	-200
Financing cash flow	-587	-582	-341	-462	-635	-34	-296	-357
Change in cash	610	-786	8	168	-184	49	61	26
Beginning cash	256	865	79	87	255	71	120	181
Ending cash	**865**	**79**	**87**	**255**	**71**	**120**	**181**	**207**

Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	-1.30	1.12	1.74	2.15	0.63	2.21	2.47	2.60
BVPS (SAR)	11.18	12.40	13.37	13.65	12.27	13.98	14.68	15.31
DPS (SAR)	-	-	2.00	2.00	0.50	1.77	1.97	2.08
FCF per share (SAR)	6.37	-1.08	1.86	3.35	2.40	0.44	1.90	2.04
Valuation								
Market Cap (SAR mn)	4,106	6,796	9,607	6,824	5,035	5,035	5,035	5,035
EV (SAR mn)	3,866	6,817	9,520	6,569	4,964	4,915	4,854	4,828
EBITDA	62	411	496	522	291	638	720	778
P/E (x)	-16.8	32.1	29.4	16.9	42.8	12.1	10.9	10.3
EV/EBITDA (x)	62.2	16.6	19.2	12.6	17.1	7.7	6.7	6.2
Price/Book (x)	2.0	2.9	3.8	2.7	2.2	1.9	1.8	1.7
Dividend Yield (%)	0.0%	0.0%	3.9%	5.5%	1.9%	6.6%	7.4%	7.8%
Price to sales (x)	2.1	2.8	3.6	2.5	1.9	1.7	1.6	1.5
EV to sales (x)	2.0	2.8	3.5	2.4	1.8	1.7	1.6	1.5
Liqiudity								
Cash Ratio (x)	0.73	0.07	0.08	0.24	0.09	0.10	0.14	0.15
Current Ratio (x)	2.41	2.21	2.35	2.38	2.81	2.36	2.33	2.32
Quick Ratio (x)	2.40	2.21	2.35	2.38	2.80	2.35	2.33	2.32
Returns Ratio								
ROA (%)	-5.6%	5.0%	7.7%	9.4%	3.0%	9.2%	9.6%	9.6%
ROE (%)	-11.6%	9.1%	13.0%	15.8%	5.1%	15.8%	16.8%	17.0%
ROCE (%)	-7.7%	7.0%	10.3%	12.4%	3.8%	12.4%	13.1%	13.1%
Cash Cycle								
Accounts Payable turnover (x)	19.8	15.7	17.8	20.0	20.0	33.3	33.3	33.3
Receivables turnover (x)	1.7	2.0	2.3	2.6	2.9	2.4	2.4	2.4
Payable Days	18	23	20	18	18	11	11	11
Receivables days	213	185	162	142	124	153	153	153
Cash Cycle	196	163	143	125	107	143	143	143
Profitability Ratio								
Net Margins (%)	-12.4%	8.6%	12.2%	14.8%	4.4%	14.4%	15.0%	14.7%
EBITDA Margins (%)	3.1%	16.7%	18.5%	19.1%	10.8%	22.1%	23.2%	23.4%
PBT Margins (%)	-3.9%	11.0%	14.1%	15.7%	4.4%	16.4%	17.1%	16.8%
EBIT Margins (%)	-6.1%	9.3%	11.7%	12.1%	2.6%	14.2%	15.1%	15.0%
Effective Tax Rate (%)	215.0%	-21.9%	-13.4%	-5.8%	-1.9%	-12.5%	-12.5%	-12.5%
Leverage								
Total Debt (SAR mn)	625	100	-	-	-	-	-	-
Net Debt (SAR mn)	-240	21	-87	-255	-71	-120	-181	-207
Net Debt/EBITDA	-3.86	0.05	-0.18	-0.49	-0.24	-0.19	-0.25	-0.27
Debt/Equity (x)	0.14	0.02	-	-	-	-	-	-

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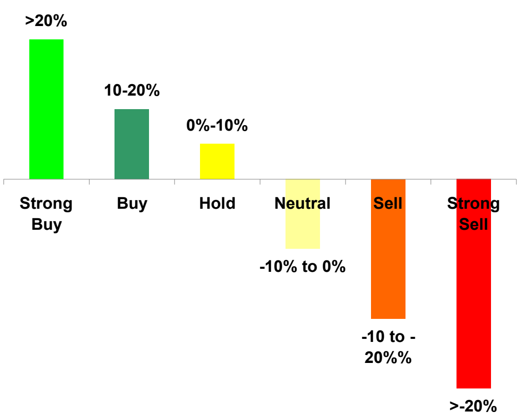
Rating Criteria and Definitions

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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