November 2025

Saudi Ground Services Co.

Results Flash Note Q3-25

Gross and operating margin expansion fueled a strong earnings growth, despite a modest increase in topline

Saudi Ground Services Co. (SGS)'s net income grew 24.3% Y/Y SAR 102mn in Q3-25, beating AJC's estimate of SAR 93mn. The deviation from our estimate was mainly due to better-than-expected gross margin. Revenue grew 2.2% Y/Y to SAR 683mn, in line with our estimate of SAR 699mn. The topline growth was attributable to increase in number of flights. The gross margin expanded to 22.8% from 21.1% in Q3-24 and was higher than our estimate of 21.0%. Operating profit grew 31.5% Y/Y to SAR 98mn, exceeding AJC's estimate of SAR 91mn, reflecting the effect of gross margin expansion and lower OPEX. Operating margin stood at 14.4% compared to 11.2% in Q3-24. We retain our TP on SGS at SAR 53.9/share with an "Overweight" rating.

- SGS posted a net profit of SAR 102n (+24.3% Y/Y) in Q3-25, above AJC's estimate of SAR 93mn. The variance from our estimate was primarily driven by better-than-expected gross margin. The Y/Y growth in earnings was supported by lower impairment losses in addition to gross margin improvement, partially offset by lower other income. Sequentially, net profit rose 2.1%, driven by higher gross margin, despite marginally lower revenue and higher OPEX.
- Revenue rose 2.2% Y/Y to SAR 683mn, in line with our estimate of SAR 699mn. The increase in the number of flights served aided in the revenue growth. However, on Q/Q basis, the topline was slightly lower (-0.8%), as the previous quarter included higher amount of Hajj and Umrah revenue.
- Gross profit increased 10.4% Y/Y to SAR 156mn (AJC estimate: SAR 147n). The company was able to contain cost of revenue (flat Y/Y) due to its ongoing productivity enhancement and expense rationalization initiatives. The gross margin at 22.8% was ~170bps Y/Y higher than 21.1% in Q3-24 and was above our expectation of 21.0%.
- Operating profit grew 31.5% Y/Y to SAR 98mn (AJC estimate: SAR 91mn), as the positive effect of gross margin was further supported by lower G&A expenses and lower impairment losses, partially offset by lower other income. Operating margin widened to 14.4% in Q3-25 from 11.2% in Q3-24.

AJC view and valuation: SGS posted healthy earnings growth in Q3-25, and overall results came slightly better than our expectations. Improved profitability was the key highlight of the quarter even if the topline growth was modest. The strong operating performance underlines our positive stance on the company. We believe SGS strategically positioned to benefit from the continued expansion of Saudi Arabia's aviation and tourism sectors. With operations across 29 airports and a dominant 90% market share, SGS plays a critical role in the kingdom's ground handling infrastructure. Its strong airline partnerships (including SAR 2bn agreements with Riyadh Air) and operational scale make a solid foundation for long-term growth. At current valuation stock yields FY25E dividend of 4.8%. SGS is currently trading at P/E of 18.1x and EV/EBITDA of 12.7x based on our FY25E estimates. We retain our TP on SGS at SAR 53.9/share with an "Overweight" rating, given 28.8% upside potential.

Results Summary

SAR mn	Q3-24	Q2-25	Q3-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	669	689	683	2.2%	-0.8%	-2.2%
Gross Profit	141	138	156	10.4%	12.8%	6.1%
Gross Margin	21.1%	20.0%	22.8%	-	-	-
EBIT	75	97	98	31.5%	1.3%	8.1%
Net Profit	**82**	**99**	**102**	24.3%	2.1%	9.1%
EPS	0.43	0.53	0.54	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	Overweight
Target Price (SAR)	53.9
Upside / (Downside)*	28.8%

Source: Tadawul *prices as of 9th of November 2025

Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	2,459	2,684	2,768	3,162
Growth %	24.4%	9.1%	3.2%	14.2%
Gross Profit	409	621	655	755
Net Income	211	327	434	450
Growth %	NM	54.6%	32.8%	3.5%
EPS	1.12	1.74	2.31	2.39
DPS	0.00	2.00	2.00	2.00

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	16.6%	23.1%	23.7%	23.9%
EBIT Margin	9.3%	11.9%	15.6%	14.4%
Net Margin	8.6%	12.2%	15.7%	14.2%
ROE	9.5%	13.5%	17.1%	17.2%
ROA	4.9%	7.7%	10.0%	9.9%
P/E (x)	32.1	29.4	18.1	17.5
P/B (x)	2.9	3.8	3.1	3.0
EV/EBITDA (x)	17.1	19.3	12.7	12.2
Dividend Yield	0.0%	3.9%	4.8%	4.8%

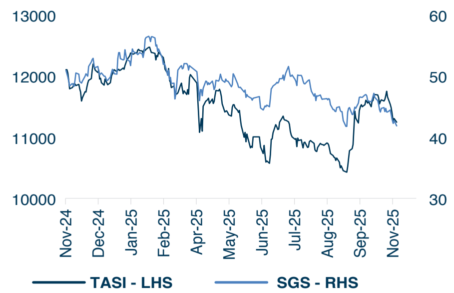
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	7.9
YTD%	-18.0%
52 week (High)/(Low)	57.10/41.00
Share Outstanding (mn)	188.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital

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RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated “Overweight” will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated “Underweight” would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated “Neutral” is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer