Equity Research report
GAS AB Equity
14 September 2025

Target Price: SAR19.5/share
Current Price: SAR17.0/share
Upside: 14.6% (+Div. Yield: 2.4%)
Rating: Overweight

Gas Arabian Services Company (GAS)

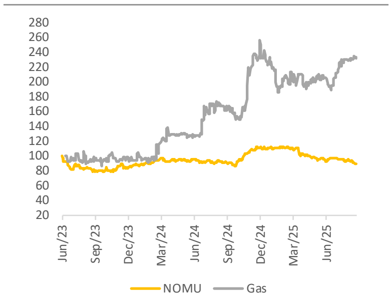
Raise TP to SAR19.5/sh on a strong growth in backlog

- We expect the growth momentum to sustain, backed by robust backlog and healthy execution rate, resulting in a top-line CAGR of ~10% over 2024-27e.
- Earnings are likely to grow at a 12.9% CAGR over 2024-27e, aided by top-line growth, operating efficiencies and an improvement in JV income.
- Post revising our estimates and rolling forward the valuation, we raise our TP to SAR19.5/sh (SAR18/sh earlier) using an equal mix of P/E (19x on 2026e EPS) and DCF and maintain our Overweight rating on the stock.

Stock data	
Nomu ticker	9528
Mcap (SARmn)	2,686
Trd. Val (3m) (SARmn)	0.5
Free float	42.1%
QFI holding	3.9%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

Growth momentum to sustain supported by solid backlog: Gas Arabian's backlog rose sharply from ~SAR1.7bn in 4Q24 to SAR2.2bn by 2Q25, mainly supported by two technical services contracts worth SAR830.6mn (2Y contracts; meaningful contribution from 4Q25), which was awarded by SPPC in May-25. Looking ahead, on a conservative basis, we expect new awards in the technical segment to normalize at ~SAR800-850mn annually during 2026–27e (vs. ~SAR1.4bn in 2024 and ~SAR1.2bn so far in 2025e) with further growth potential, aided by Aramco's ongoing Master Gas System expansion (4,153km pipeline length), new products/services, and a potential category upgrade with Aramco—from Category 2 to Category 1. Further, the trading segment should witness stable new order inflows as ~90% of orders are typically recurring. Consequently, despite revenue burn rate of SAR673mn with likely no major awards in 2H25, we expect backlog to still remain robust at ~SAR2bn by 2025e and remain steady through 2027e. Overall, based on current backlog recognition timeline (30% in 2H25e, 40% in 2026e, 30% in 2027e) and a stable new order inflows, we conservatively expect revenue growth of 20% in 2025e (33% in 1H25) and top-line CAGR of 10% over 2024-27e.

Margins to normalize in 2H25 and likely to remain broadly stable thereafter: The company's gross margin increased from 17.2% in 1Q25 to 19.5% in 2Q25, primarily aided by commission income in the trading segment (based on event and meeting targets). Going forward, we conservatively expect the gross margin to normalize to ~17.4% in 2H25e, implying a ~17.8% gross margin for 2025e with a marginal improvement of ~10bps anticipated thereafter. Additionally, OPEX also rose from SAR22mn in 1Q25 to SAR35mn in 2Q25, attributed to new hirings, related to the recent contract wins. Accordingly, we cut our operating margin by ~1ppt, although it remains healthy at 8.5-8.7% for 2025-26e (~9.2% in 1H25; 7.5% avg over 2022-24).

Figure 1: Key financial metrics

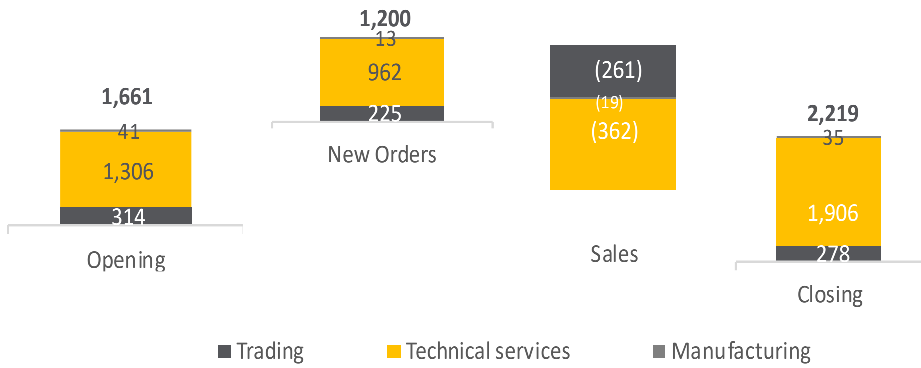
SARmn	2023a	2024a	2025e	2026e	2027e
Revenue	722	1,093	1,314	1,409	1,459
Revenue growth	*45%*	*51%*	*20%*	*7%*	*4%*
Gross Profit	123	172	234	251	260
Gross Profit margin	*17.1%*	*15.8%*	*17.8%*	*17.8%*	*17.8%*
Op. income + JV income	83	111	140	153	164
Net profit	81	114	140	153	164
Net profit margin	*11.3%*	*10.4%*	*10.7%*	*10.9%*	*11.2%*
EPS (SAR)	0.52	0.72	0.89	0.97	1.04
DPS (SAR)	0.30	0.38	0.41	0.49	0.52
P/E	33.0x	23.6x	19.1x	17.5x	16.4x

Source: Company data, GIB Capital

Kunal Doshi
+966-11-834 8372
Kunal.doshi@gibcapital.com

Overall, we expect the net income to grow by 23% in 2025, and a CAGR of 12.9% over 2024-27e, supported by robust backlog, healthy margins, operating efficiency (shifting of some activities from a subcontracting model to in-house), and improvement in JV income (~7% CAGR).

Figure 2: Order backlog evolution 2024-1H25 (SARmn)



Source: Company data, GIB Capital

Incremental JV income; an upside risk to our valuation: Gas Arabian has several JVs with various leading global equipment manufacturers such as Elliott Gas and Yokogawa, accounting for ~25% of its net income in 2024. As part of its strategy to expand its JV portfolio and strengthen local manufacturing of critical equipment in KSA, the company recently signed an agreement with Italy's BONOMI to establish a valve manufacturing JV. The new entity will have an initial capital of SAR5mn, with BONOMI holding a 60% stake and Gas Arabian 40% with a notable contribution to net profit likely to start from 2027e.

Moreover, we expect the company to continue pursuing similar partnerships going forward to capture rising demand for critical equipment in the oil and gas sector. While our forecasts do not incorporate additional income from future JVs, such ventures could boost the earnings notably and present an upside risk to our valuation. In addition, as mentioned in an earlier note, the company is positioned to benefit from several other developments, including a category upgrade with Aramco, as well as expansion of existing facility or acquire a new one.

Revision in the estimates: Following strong revenue growth in 1H25 (+33% y/y), driven by a healthy execution rate and a robust growth in backlog to SAR2.2bn following two major contract wins, we raise our revenue estimates by 10% for 2025e and 15% for 2026e. However, we cut the EBIT margin by ~1ppt for 2025-26e to factor in increased headcount and slightly revise our finance costs, resulting in a 3-4% upward revision in earnings over the same period.

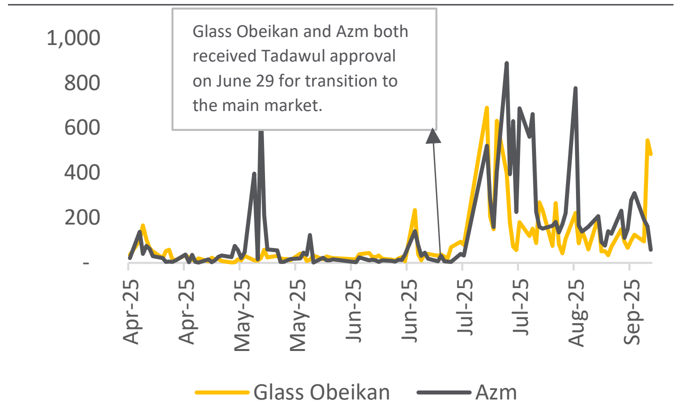
Figure 3: Revision in estimates

SARmn	2025e			2026e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	1,314	1,193	10%	1,409	1,221	15%
Operating Profit	112	108	3%	122	121	1%
OPM %	8.5%	9.1%		8.7%	9.9%	
Net profit	140	135	4%	153	150	3%
NPM %	10.7%	11.3%		10.9%	12.2%	

Source: GIB Capital

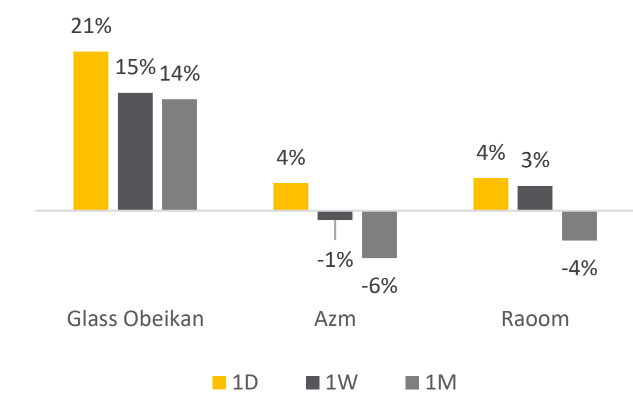
Gas Arabian files for transition to the Main Market: After withdrawing its application for transition due to pending liquidity requirements in January 2025, Gas filed the application for transition on 17 July 2025. This suggests that the company might have addressed these requirements, increasing the likelihood of approval. If Tadawul approves the transition, it may positively impact the share price, driven by anticipated higher liquidity (as evident from recent approval for Glass Obeikan and Azm; Figure 4) and improved price discovery, potentially leading to multiple expansion.

Figure 4: Daily trading volume spike for recent transitions ('000')



Source: Bloomberg, Company data, GIB Capital

Figure 5: Return since the date of approval for main market



Source: Bloomberg, Company data, GIB Capital

Recap of 2Q25 results: Revenue rose by 19% y/y to SAR320mn, driven by a healthy execution rate on newly won contracts, beating our estimate by 7.2%. The gross profit grew significantly by 55% y/y, with the gross margin improving to 19.5% vs. GIBCe of 17.3% (1Q25: 17.2%), primarily supported by higher commission income. This led to a 20.5% beat at the gross profit level vs. our estimate. However, the beat at the operating level narrowed to 6.8%, due to higher-than-expected G&A expenses. As a result, net profit rose by 59.4% y/y, reaching SAR39mn vs. GIBCe of SAR35mn, supported by a strong rebound in associate income.

Figure 6: 2Q25 result

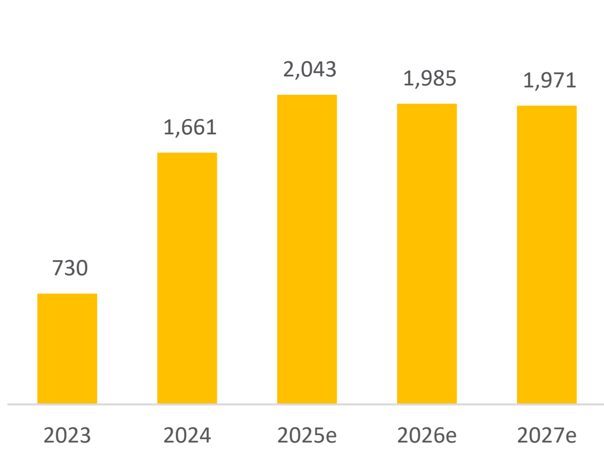
SARmn	2Q25	2Q24	y/y %	1Q25	q/q %	GIBC estimate	Variance %
Revenues	**320**	**268**	**19.1%**	**322**	**-0.6%**	**298**	**7.2%**
Cost of sales	257	228	12.8%	266	-3.3%	247	4.5%
Gross profit	**62**	**40**	**55.2%**	**55**	**12.5%**	**52**	**20.5%**
Opex	23	16	39.8%	24	-3.2%	15	54.5%
Operating profit	**39**	**24**	**65.9%**	**32**	**24.2%**	**37**	**6.8%**
Net income	**39**	**24**	**59.4%**	**31**	**24.0%**	**35**	**10.8%**
Margins							
Gross margin	19.5%	14.9%	4.5%	17.2%	2.3%	17.3%	2.1%
Operating margin	12.3%	8.8%	3.5%	9.8%	2.5%	12.3%	-0.1%
Net margin	12.1%	9.1%	3.1%	9.7%	2.4%	11.8%	0.4%

Source: Tadawul. GIB Capital

Valuation and risks: We value the company using an equal mix of P/E and DCF methodologies. For P/E, we apply a 19x multiple to 2026e EPS, arriving at a 1-year forward TP of SAR19.6/sh. For DCF, using a WACC of 8.8% and a 3% terminal growth rate, we derive a 1-year forward TP of SAR19.4/sh. This results in a blended 1-year forward TP of SAR19.5/sh, implying an upside of 14.6% and an Overweight rating. Key downside risks include a slowdown in Aramco's expansion, an increase in competition, trading illiquidity, lower-than-expected shutdowns in the petrochemical sector, execution risks, etc.

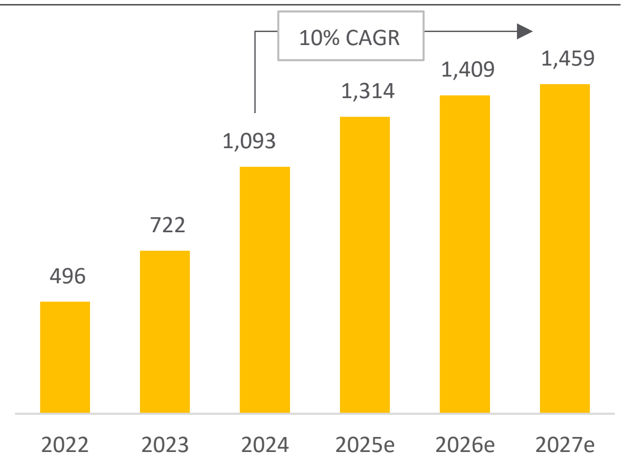
Financial analysis in charts

Figure 7: Backlog (SARmn)



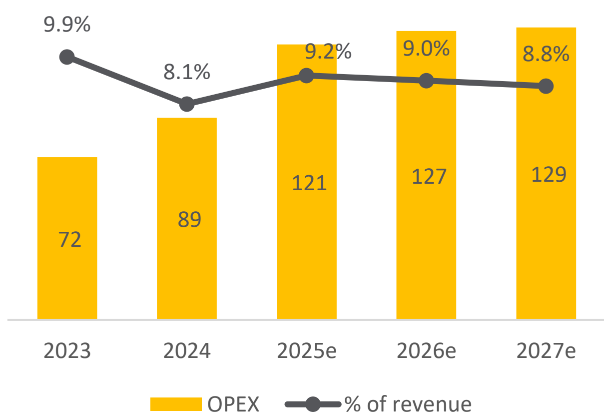
Source: Company data, GIB Capital

Figure 8: Revenue (SARmn)



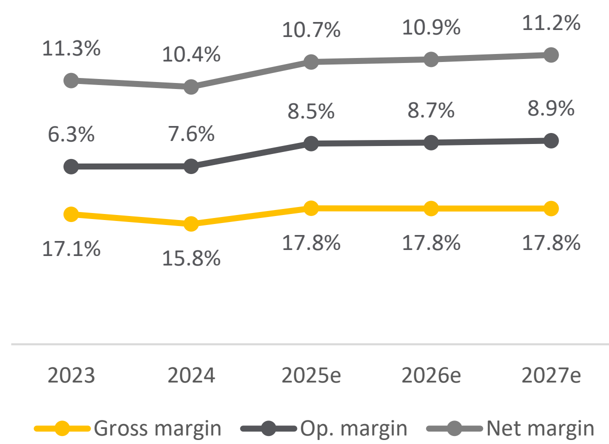
Source: Company data, GIB Capital

Figure 9: OPEX (SARmn)



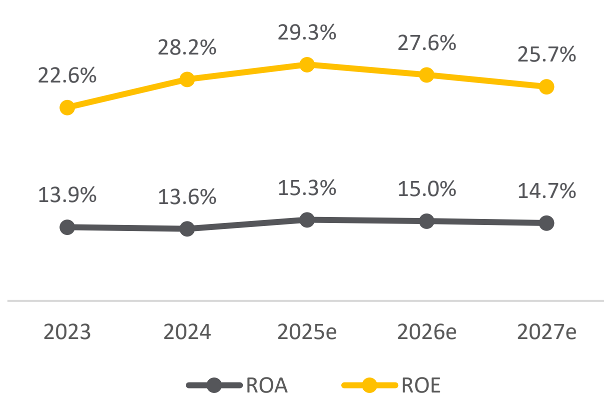
Source: Company data, GIB Capital

Figure 10: Margin trend



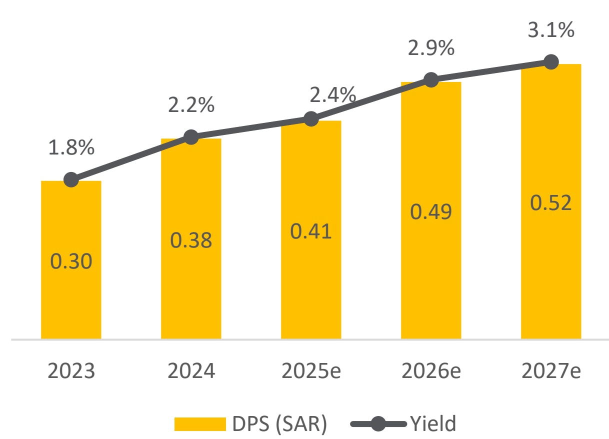
Source: Company data, GIB Capital

Figure 11: Profitability



Source: Company data, GIB Capital

Figure 12: Dividend



Source: Company data, GIB Capital

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Financials

Figure 13: Summarized basic financial statements (SARmn)

Income statement	2023a	2024a	2025e	2026e	2027e
Revenue	**722**	**1,093**	**1,314**	**1,409**	**1,459**
revenue y/y	*45%*	*51%*	*20%*	*7%*	*4%*
COGS	598	921	1,080	1,158	1,199
Gross Profit	**123**	**172**	**234**	**251**	**260**
Gross Profit margin	*17%*	*16%*	*18%*	*18%*	*18%*
Selling, General & Admin expense	72	89	121	127	129
ECL (provision)/reversal	(6)	(1)	(1)	(2)	(2)
Operating profit	**45**	**83**	**112**	**122**	**130**
Operating margin	*6%*	*8%*	*8%*	*9%*	*9%*
Other income	7	9	11	11	12
Finance costs	(2)	(1)	(3)	(3)	(3)
Income from Associates & JVs	38	28	29	31	34
PBT	**88**	**119**	**148**	**162**	**173**
Zakat/tax	7	5	8	8	9
Net income	**81**	**114**	**140**	**153**	**164**
Net margin	*11.3%*	*10.4%*	*10.7%*	*10.9%*	*11.2%*
y/y	*21%*	*40%*	*23%*	*9%*	*7%*
EPS	**0.5**	**0.7**	**0.9**	**1.0**	**1.0**
DPS	0.3	0.4	0.4	0.5	0.5
Payout	58%	53%	46%	50%	50%
EBITDA	52	96	141	153	162
EBITDA + Income from JVs	89	124	170	184	196
Net debt (w/o lease liabilities)	-91	-173	-103	-162	-231

Balance Sheet	2023a	2024a	2025e	2026e	2027e
Inventories	62	45	44	48	49
Receivable and unbilled revenue	187	286	378	398	408
Prepaid Expenses and Other	52	80	108	116	120
Investments at FVTPL	0	0	0	0	0
Cash and Equivalents	91	173	103	162	231
Total Current Assets	**391**	**583**	**634**	**723**	**808**
Property Plant & Equipment - Net	85	135	162	173	183
Right of use assets	4	6	6	6	6
Intangible assets	0	0	0	0	0
Investments with associates	106	114	116	118	121
Total Non-Current Assets	**195**	**255**	**284**	**298**	**310**
Total Assets	**586**	**838**	**917**	**1,020**	**1,118**
Current Liabilities	184	385	381	407	423
Non-current Liabilities	42	49	57	57	57
Equity	361	404	480	556	638
Total Equity and Liabilities	**586**	**838**	**917**	**1,020**	**1,118**

Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	60	193	25	149	162
Cashflow from Investing	4	-38	-29	-14	-11
Cashflow from Financing	-40	-74	-65	-77	-82
Total Cashflows	**23**	**82**	**-70**	**58**	**69**

Source: Company, GIB Capital

Figure 14:Key ratios

Key ratios	2023a	2024a	2025e	2026e	2027e
Profitability ratios					
RoA	14%	14%	15%	15%	15%
RoE	23%	28%	29%	28%	26%
Sales/Assets	123%	130%	143%	138%	130%
Net margin	11.3%	10.4%	10.7%	10.9%	11.2%
Liquidity ratios					
Curr. Assets/ Current Lia.	2.1	1.5	1.7	1.8	1.9
Receivable Days	94	95	105	103	102
Inventory Days	38	18	15	15	15
Payable days	59	75	68	69	70
Cash conversion cycle	73	38	52	49	47
Debt ratios					
Net Debt/EBITDA	-1.8x	-1.8x	-0.7x	-1.1x	-1.4x
Debt/Asset	1%	1%	1%	1%	0%
Valuation ratios					
P/E	33.0x	23.6x	19.1x	17.5x	16.4x
P/B	7.4x	6.6x	5.6x	4.8x	4.2x
EV/EBITDA	50.9x	27.4x	18.7x	17.2x	16.2x
(FCF + income from JV) yield	1.9%	3.9%	0.1%	4.8%	5.4%
Dividend yield	1.8%	2.2%	2.4%	2.9%	3.1%

Source: Company, GIB Capital

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Contact us for queries:

Sell Side Research Department,
GIB Capital,
B1, Granada Business & Residential Park,
Eastern Ring Road, PO Box 89589, Riyadh 11692
www.gibcapital.com