

**Target Price: SAR12/share**  
Current Price: SAR9.97/share  
Upside: 20% (+Div. Yield: 3.0%)  
**Rating: Overweight**

## Gas Arabian Services Company (GAS)

### Record order book; Raise TP to SAR12/sh.

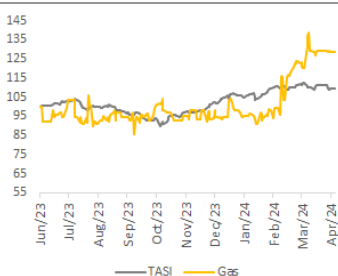
- Highest ever backlog, after securing SAR1.4bn contracts, implying a strong visibility.
- Double-digit top-line and bottom-line growth in 2024-25, aided by new contract wins and steady net margin.
- The stock has gained ~38% since our last update note. Post new contact wins and a revision in our earnings estimates, we raise our TP to SAR12/sh. (SAR9.8 earlier) using P/E valuation (18x on 2025 EPS), implying an Overweight rating.

#### Stock data

Nomu ticker	9528
Mcap (SARmn)	1,575
Trd. Val (3m) (SARmn)	6.8
Free float	9.0%
QFI holding	1.9%

Source: Bloomberg

#### Prices indexed to 100



Source: Bloomberg

**Robust orderbook of +SAR2bn (3x growth) provides a strong top-line visibility...** GAS won multiple contracts in 2024 (Figure 3): i) Two contracts from SPPC (principal buyer) worth SAR341.9mn and SAR256.1mn, respectively (Total: SAR598mn), ii) Two LOIs from Saudi Aramco for contracts worth SAR416.3mn and SAR344.6mn, respectively (Total: SAR760.9mn), iii) one contract from Yamama cement worth SAR35.3mn. Accordingly, the company's backlog has reached to a record level, reaching SAR2.1bn currently (Figure 2, SAR731mn in 2023 and SAR443mn in 2022) with a further possibility of winning the additional contracts throughout the year, providing a strong revenue visibility.

**... resulting to a healthy earnings growth:** The new contracts are mostly related to technical services segment and are expected to be executed over the next 2-4 years, with revenue recognition trend to be around 20-22% in 2024e, bulk in 2025-26, and rest in 2027e. After incorporating these major contracts in our forecast, we expect the technical services segment (~33% contribution in 2023) to drive most of the top-line growth (43.7% y/y in 2024). Further, the trading segment (64% contribution in 2023) is expected to remain stable, growing by 1.5% y/y in 2024, aided by its long-term contracts with the client (80% recurring income and the remaining through growth, shutdown, maintenance activities, etc.). Meanwhile the manufacturing segment is likely to grow by 22% in 2024.

Overall, we expect revenue to grow by 16% y/y in 2024 (in line with the company guidance of 10-18%) and 19% in 2025 (within the range of 12-20% management guidance). We expect gross margin to be at 19-20% in 2024-25, a slight increase from ~18.7% in 2023, with most of the new contracts start contributing during the second half of 2024. Consequently, we expect the net profit margin to be at ~11% in 2024-25 (in line with the company guidance), resulting in double-digit earnings growth in 2024-25.

Figure 1: Key financial metrics

SARmn	2021a	2022a	2023a	2024e	2025e
Revenue	386	496	722	836	994
Revenue growth	20%	28%	45%	16%	19%
Gross Profit	105	115	135	163	194
Gross Profit margin	27%	23%	19%	19%	20%
Op. income	37	42	52	59	71
Op. income + JV income	59	73	89	98	111
Net profit	60	67	81	93	104
Net profit margin	16%	14%	11%	11%	10%
EPS (SAR)	0.38	0.43	0.52	0.59	0.66
DPS (SAR)	0.20	2.25	0.30	0.29	0.33

Source: Company data, GIB Capital

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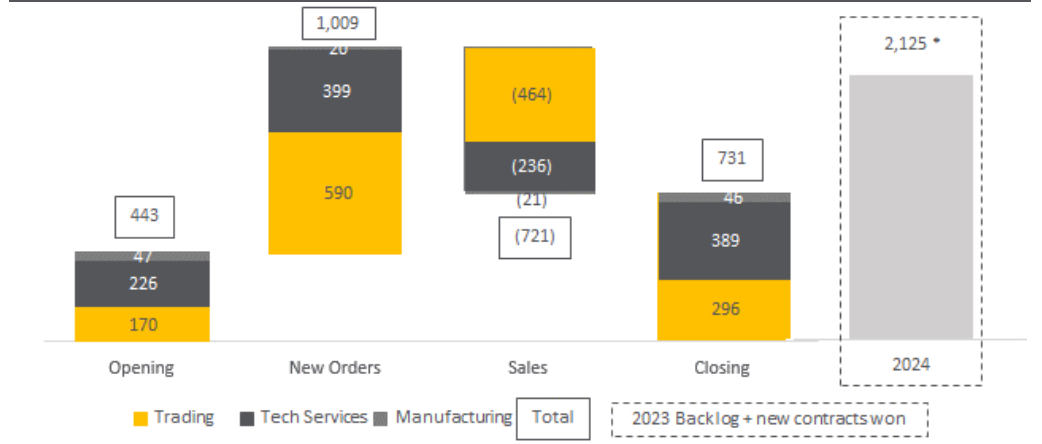
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Figure 2: Order backlog evolution 2023 (SARmn)



Source: Company data, GIB Capital. Proforma backlog as of today

Figure 3: 2024 contract wins so far.

Company	Announcement date	Contract value (SAR mn)	Tenure
Saudi Aramco (Lols)	February 26, 2024	761	30 & 38 months
SPPC (Principal Buyer)	March 3, 2024	598	22 months
Yamama Cement	February 11, 2024	35	NA

Source: Company data, GIB Capital

**Likely transitioning to the main market, a potential upside catalyst:** The company aims to move from the Nomu-Parallel Market to the Main Market in the coming period. We note that the company's board already approved the transition early this year and the company is committed to increasing the free float to 30% (five major shareholders recently sold a combined 10% stake to several investors through negotiated deals) to fulfill the CMA's liquidity requirement for moving to TASI. Once the company's FF reaches 30%, a potential CMA nod for the transition is expected to positively impact the share price due to anticipated higher liquidity and improved price discovery.

**Valuation and risks:** We value the company using P/E valuation (18x on 2025 EPS of SAR0.66) and arrive at TP of SAR12/share (SAR9.8 earlier). Key downside risks include a slowdown of Aramco's expansion, an increase in competition, trading illiquidity, lower-than-expected shutdowns in the petrochemical sector, execution risks etc.

## Financials

Figure 4: Summarized basic financial statements (SARmn)

Income statement	2021a	2022a	2023a	2024e	2025e
<b>Revenue</b>	<b>386</b>	<b>496</b>	<b>722</b>	<b>836</b>	<b>994</b>
revenue y/y	20%	28%	45%	16%	19%
COGS	282	381	587	673	799
<b>Gross Profit</b>	<b>105</b>	<b>115</b>	<b>135</b>	<b>163</b>	<b>194</b>
Gross Profit margin	27%	23%	19%	19%	20%
Selling, General & Admin expense	63	74	83	99	117
<b>Operating profit</b>	<b>37</b>	<b>42</b>	<b>52</b>	<b>59</b>	<b>71</b>
Operating margin	10%	8%	7%	7%	7%
Other income	8	2	7	5	4
Income from Associates & JVs	22	31	38	39	40
<b>PBT</b>	<b>65</b>	<b>74</b>	<b>88</b>	<b>101</b>	<b>113</b>
Zakat/tax	4	5	6	7	8
<b>Net income</b>	<b>60</b>	<b>67</b>	<b>81</b>	<b>93</b>	<b>104</b>
Net margin	16%	14%	11%	11%	10%
y/y	-18%	12%	21%	14%	12%
<b>EPS</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>
DPS	0.2	2.3	0.3	0.3	0.3
Payout	53%	528%	58%	51%	50%
<b>EBITDA</b>	<b>41</b>	<b>46</b>	<b>58</b>	<b>64</b>	<b>77</b>
EBITDA + Income from JVs	63	77	96	103	117
<b>Net debt (w/o lease liabilities)</b>	<b>-15</b>	<b>-68</b>	<b>-91</b>	<b>-105</b>	<b>-111</b>

Balance Sheet	2021a	2022a	2023a	2024e	2025e
Inventories	23	27	62	71	84
Receivables and unbilled revenue	212	175	187	211	245
Prepaid Expenses and Other	40	69	52	59	70
Cash and Equivalents	24	68	91	105	111
<b>Total Current Assets</b>	<b>313</b>	<b>350</b>	<b>391</b>	<b>446</b>	<b>510</b>
Property Plant & Equipment - Net	59	57	85	97	111
Investments with associates	81	91	106	119	133
<b>Total Non-Current Assets</b>	<b>141</b>	<b>150</b>	<b>195</b>	<b>220</b>	<b>248</b>
<b>Total Assets</b>	<b>455</b>	<b>499</b>	<b>586</b>	<b>667</b>	<b>758</b>
Current Liabilities	142	147	184	219	258
Non-current Liabilities	34	35	42	42	42
Equity	278	317	361	406	458
<b>Total Equity and Liabilities</b>	<b>455</b>	<b>499</b>	<b>586</b>	<b>667</b>	<b>758</b>

Cashflow	2021a	2022a	2023a	2024e	2025e
Cashflow from Operations	-26	66	60	53	51
Cashflow from Investing	-5	20	4	9	6
Cashflow from Financing	-41	-42	-40	-47	-52
<b>Total Cashflows</b>	<b>-72</b>	<b>44</b>	<b>23</b>	<b>14</b>	<b>5</b>

Source: Company data, GIB Capital

Figure 5: Key ratios

Key ratios	2021a	2022a	2023a	2024e	2025e
<b>Profitability ratios</b>					
RoA	13%	13%	14%	14%	14%
RoE	22%	21%	23%	23%	23%
Sales/Assets	85%	99%	123%	125%	131%
Net margin	15.5%	13.6%	11.3%	11.1%	10.5%
<b>Liquidity ratios</b>					
Curr. Assets/ Current Lia.	2.2	2.4	2.1	2.0	2.0
Receivable Days	201	129	94	92	90
Inventory Days	30	26	38	38	38
Payable days	124	80	60	65	65
Cash conversion cycle	107	75	73	65	63
<b>Debt ratios</b>					
Net Debt/EBITDA	-0.4	-1.5	-1.6	-1.6	-1.4
Debt/Asset	2%	0%	0%	0%	0%
<b>Valuation ratios</b>					
P/E	26.2	23.4	19.3	17.0	15.1
P/B	5.7	5.0	4.4	3.9	3.4
EV/EBITDA	24.8	22.2	17.6	16.0	13.3
FCF yield	-2.2%	4.0%	1.7%	2.3%	0.0%
Dividend yield	2.0%	2.3%	3.0%	3.0%	3.3%

Source: Company data, GIB Capital

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