Equity Research report
GAS AB Equity
28 April 2026

Target Price: SAR16.5/share
Current Price: SAR12.99/share
Upside: 27% (+Div. Yield: 4.0%)
Rating: Overweight

Gas Arabian Services Company (GAS)

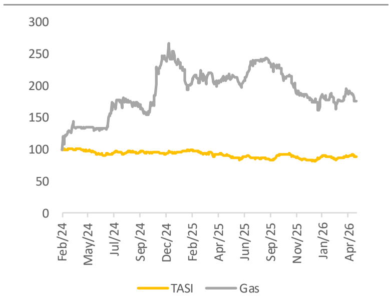
Business outlook remains resilient despite regional development

- Regional development has limited impact on business activity so far, with revenue visibility remaining strong at ~SAR1.5bn annually over 2026-27e, backed by a solid backlog of ~SAR2bn and strong execution (90% backlog to be executed over 2026-27e).
- Earnings to grow at a healthy 5.4% CAGR over 2025–28e, supported by robust backlog, a recovery in margin and strong JV income.
- Post revising our estimates and valuation assumptions, we set our 1Y Fwd TP at SAR16.5/sh using an equal mix of P/E (15x on 2026e EPS) and DCF and maintain our Overweight rating on the stock.

Stock data	
TASI Ticker	4146
Mkt cap (SARmn)	2,054
Trd. Val 3m (SARmn)	2.9
Free float	42.7%
QFI holding	3.6%
TASI FF weight	0.09%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

Business activity remains largely unaffected despite regional tensions… Gas Arabian indicated that ongoing regional tensions have had minimal operational impact so far, with business activities running normally, supported by adequate local material availability and reliance on air cargo for spare parts (rerouted via Riyadh to Dammam by road). Moreover, any potential slowdown in new EPC project awards is likely to be largely offset by increased demand for manpower services, driven by shutdown maintenance across several large clients (mainly petrochemical). However, on the profitability front, increased transportation costs (accounts ~1-1.5% of COGS) due to logistical re-routing may pressure gross margins by ~50bps, although partial pass-through could limit the impact to ~25bps, in our view.

… with solid backlog and healthy execution ensures revenue visibility: Despite a record annual revenue burn rate of ~SAR1.4bn in 2025 due to successful execution of orders, the backlog remained robust at ~SAR2bn (+19.4% y/y), aided by steady order inflow in technical segment (+SAR1.1bn new orders) and manufacturing segment (+SAR187mn new orders). However, given the current business environment, we conservatively expect new order for the technical segment to normalize to SAR800–850mn annually over 2026–27e, with manufacturing segment also witnessing moderation in the range of SAR45-50mn during 2026-27e, while order inflow in the trading segment is likely to remain stable as 90% of business for the segment is recurring in nature. Accordingly, based on current backlog recognition timeline (50% in 2026e, 40% in 2027e) and conservative forecast for new orders, we raise our topline estimate by ~4% each for 2026-27e, stabilizing at ~SAR1.5bn annually, implying a CAGR of 2.3% over 2025-28e.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	1,093	1,440	1,460	1,514	1,540
Revenue growth	*51%*	*32%*	*1%*	*4%*	*2%*
Gross profit	172	226	240	253	254
Gross profit margin	*15.8%*	*15.7%*	*16.4%*	*16.7%*	*16.5%*
Op. income + JV income	111	149	155	170	174
Net profit	114	151	157	172	176
Net profit growth %	*40%*	*32%*	*4%*	*9%*	*3%*
Net profit margin	*10.4%*	*10.5%*	*10.8%*	*11.3%*	*11.5%*
EPS (SAR)	0.72	0.95	1.00	1.09	1.12
DPS (SAR)	0.38	0.50	0.52	0.57	0.58
P/E	18.0x	13.6x	13.0x	12.0x	11.6x
EV/EBITDA	21.0x	13.8x	12.3x	11.7x	11.7x

Source: Company data, GIB Capital

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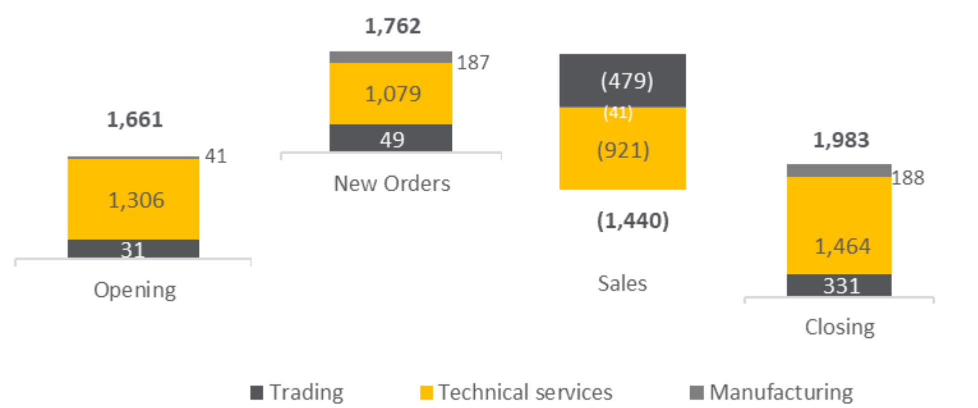
Figure 2: Order backlog evolution - 2025 (SARmn)



Source: Company data, GIB Capital

Margins to improve on better backlog mix, but remain below the historical levels: The company's overall gross margin came under pressure in 2H25, declining to ~13.6% in 2H25 (vs. 18.3% in 1H25), primarily due to i) lower margin in the Technical Services (below 9%), as the project mix skewed heavily toward early-stage procurement phases, which structurally earn lower margins than completion-stage work, and ii) normalized Trading margins from the unusually elevated ~27% in 2Q25, which had been boosted by non-recurring commission income. Going forward, we expect margins to recover to 16.4% in 2026e (17.8% earlier), aided by a more favorable project lifecycle mix in Technical Services as contracts progressively transition to higher-margin closing phases (normalizing toward ~12-13%), and a stabilization of Trading margins between ~21-22% supported by a higher-margin OEM product mix.

Earnings to be supported by a rebound in JV income: Gas' JV income witnessed a strong growth of 53% y/y in 2025, reaching SAR42.6mn, supported by operational improvements at existing JVs and incremental income from newly signed JVs. The 4Q25 run-rate stepped up notably to SAR17.9mn (vs. SAR12–13mn in preceding quarters), reflecting the improved performance of the existing JVs and initial one-month contribution from two newly acquired stakes — Eagle Burgmann (12.9% holding) and TCR Arabia (40%) — following transaction closure in Dec 2025.

Looking ahead, we anticipate JV income to remain broadly steady at SAR44mn in 2026e, as the full-year contribution from newly acquired stakes is likely to offset a modest drag from scheduled maintenance shutdowns at select existing JVs. Nonetheless, beyond 2026, JV income is expected to grow by 10% y/y in 2027, led by both improvements at existing JVs and contributions from newly formed JVs. Accordingly, we expect net income to grow at a CAGR of 5.4% over 2025–28e, aided by strong backlog, margin recoveries, and strong JV income.

Revision in estimates: We raise our revenue estimates by 4% each for 2026e and 2027e, while lowering our GP margin by 140bps and 110bps for the same period, to reflect current backlog mix and higher logistics costs. However, strong JV income is likely to support net income, leading to 3% and 5% upward revision in our estimates for 2026e and 2027e, respectively.

Figure 3: Revision in estimates

SARmn	2026e			2027e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	**1,460**	**1,409**	**4%**	**1,514**	**1,459**	**4%**
Gross profit	240	251	-4%	253	260	-3%
GPM %	*16.4%*	*17.8%*		*16.7%*	*17.8%*	
Operating Profit	111	122	-9%	121	130	-6%
OPM %	*7.6%*	*8.7%*		*8.0%*	*8.9%*	
Op. profit + JV income	155	153	2%	170	164	4%
Net profit	**157**	**153**	**3%**	**172**	**164**	**5%**
NPM %	*10.8%*	*10.9%*		*11.3%*	*11.2%*	

Source: Company data, GIB Capital

1Q26 preview: We expect topline to grow by 10.4% y/y in 1Q26 (~13% q/q drop due to seasonality), driven by strong execution of EPC contracts and steady deliveries in the trading segment. However, gross profit is likely to grow at a slower pace of 5.4%, reflecting a change in the backlog mix and project cycle. Nevertheless, net profit is projected to increase by 11% y/y to SAR34.8mn in 1Q26, supported by healthy JV income.

Figure 4: GIBC estimates for 1Q26

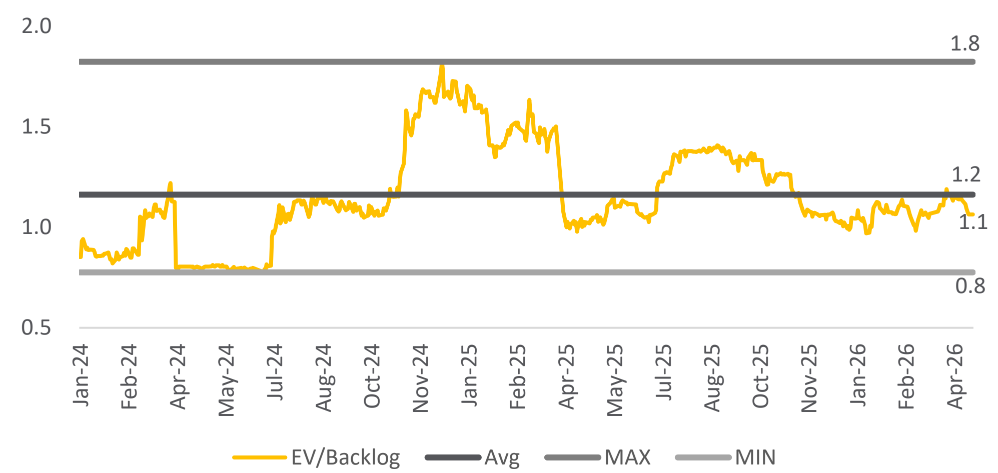
SARmn	1Q26e	1Q25	y/y	4Q25	q/q
Revenues	**355**	**322**	**10.4%**	**410**	**-13.4%**
Gross profit	58	55	5.4%	52	11.5%
GPM %	*16.4%*	*17.2%*		*12.8%*	
Operating Profit	27	32	-15.5%	21	29.4%
OPM %	*7.7%*	*10.0%*		*5.1%*	
Op. profit + JV income	35	32	9.6%	39	-11.0%
Net profit	**35**	**31**	**11.0%**	**43**	**-18.2%**
NPM %	*9.8%*	*9.7%*		*10.4%*	*-5.6%*

Source: Company data, GIB Capital

Valuation and risks: We value the company using an equal weight of P/E and DCF methodologies. Under the P/E approach, we apply a 15x multiple to 2026e EPS (reduced from 19x on sector-wide de-rating), deriving a 1-year forward target price of SAR16.4/sh. For the DCF valuation, we increased our WACC assumption to 10.0% from 8.8%, primarily to reflect an increasing risk premium for the oil and gas and related sectors, resulting in a 1-year forward TP of SAR16.6/sh. This yields a blended 1-year forward TP of SAR16.5/sh, implying a ~27% upside and supporting our Overweight rating. Notably, Gas is currently trading at a TTM EV/Backlog multiple of 1.1x (0.9x 1Y forward), below the TTM average of 1.2x and historical peaks of 1.8x, suggesting an attractive entry point for investors.

Key downside risks include a slowdown in Aramco's expansion, intensifying competition, trading illiquidity, lower-than-expected petrochemical shutdown activity, and execution risks.

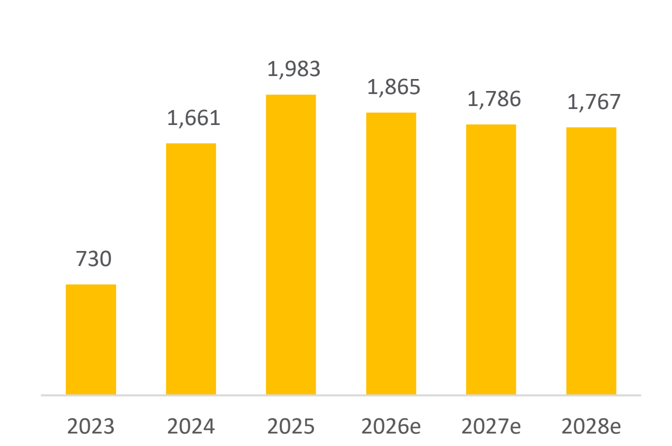
Figure 5: TTM - EV/Backlog



Source: Bloomberg, as of 27 April 2026, Company data, GIB Capital

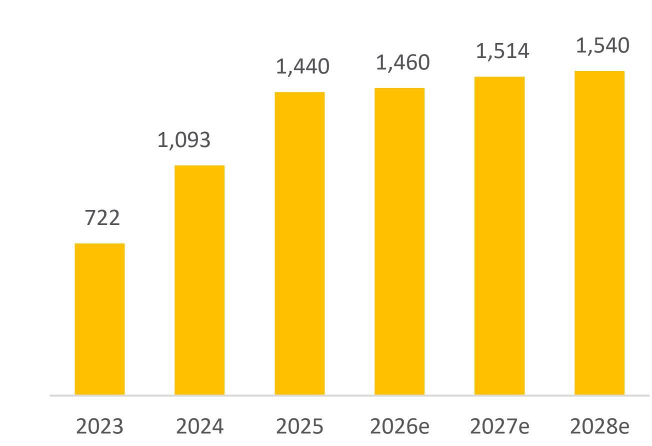
Financial analysis in charts

Figure 6: Backlog (SARmn)



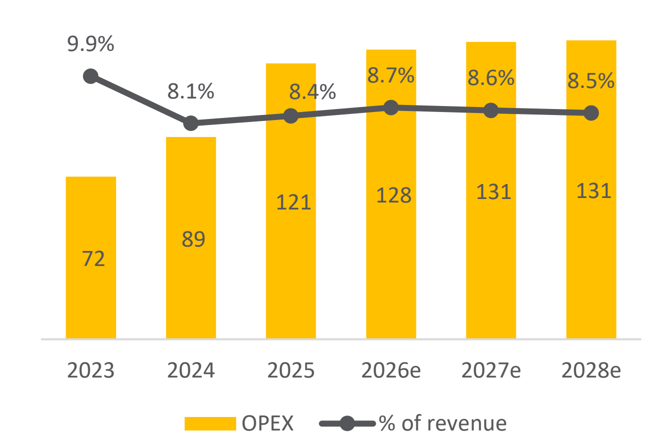
Source: Company data, GIB Capital

Figure 7: Revenue (SARmn)



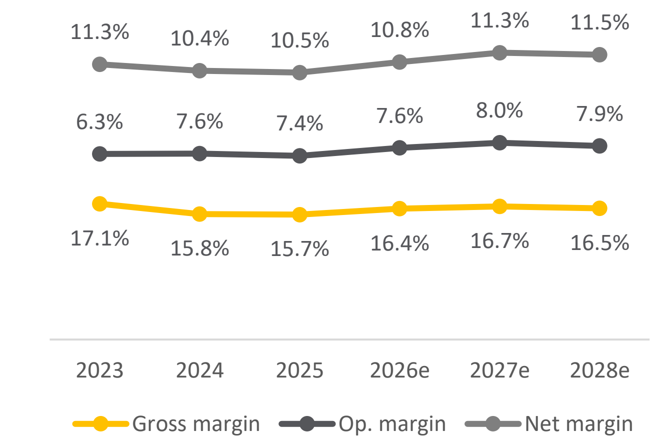
Source: Company data, GIB Capital

Figure 8: OPEX (SARmn)



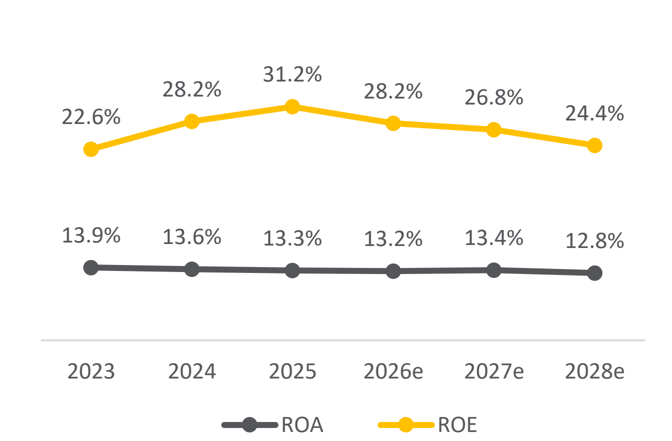
Source: Company data, GIB Capital

Figure 9: Margin trend



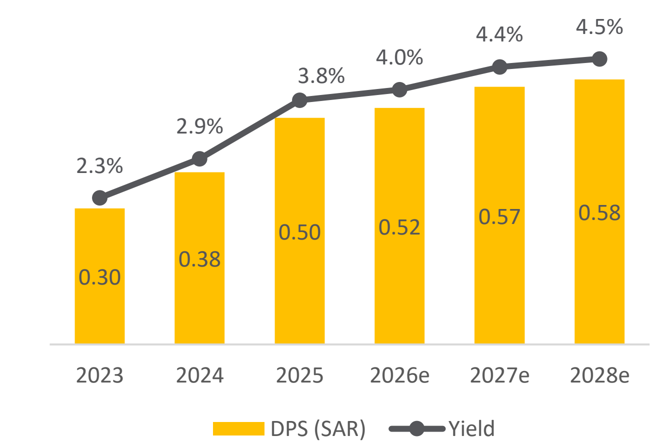
Source: Company data, GIB Capital

Figure 10: Profitability



Source: Company data, GIB Capital

Figure 11: Dividend



Source: Company data, GIB Capital

Financials

Figure 12: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e	2028e
Revenue	**1,093**	**1,440**	**1,460**	**1,514**	**1,540**
revenue y/y	*51.5%*	*31.8%*	*1.3%*	*3.7%*	*1.7%*
COGS	921	1,214	1,220	1,261	1,286
Gross Profit	**172**	**226**	**240**	**253**	**254**
Gross Profit margin	*15.8%*	*15.7%*	*16.4%*	*16.7%*	*16.5%*
Selling, General & Admin expense	89	121	128	131	131
ECL (provision)/reversal	(1)	1	(1)	(1)	(1)
Operating profit	**83**	**106**	**111**	**121**	**121**
Operating margin	*7.6%*	*7.4%*	*7.6%*	*8.0%*	*7.9%*
Other income	9	9	9	9	10
Finance costs	(1)	(2)	(1)	(1)	(1)
Income from Associates & JVs	28	43	44	48	53
PBT	**119**	**156**	**163**	**178**	**183**
Zakat/tax	5	5	6	6	6
Net income	**114**	**151**	**157**	**172**	**176**
Net margin	*10.4%*	*10.5%*	*10.8%*	*11.3%*	*11.5%*
y/y	*39.9%*	*32.3%*	*4.4%*	*9.0%*	*2.9%*
EPS	**0.7**	**1.0**	**1.0**	**1.1**	**1.1**
DPS	0.4	0.5	0.5	0.6	0.6
Payout	53%	52%	52%	52%	52%
EBITDA	96	146	164	173	172
EBITDA + Income from JVs	124	189	208	221	225
Net debt (w/o lease liabilities)	-173	-82	-206	-288	-364

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Inventories	45	57	57	59	60
Receivable and unbilled revenue	286	505	440	436	443
Prepaid Expenses and Other	80	124	125	127	129
Investments at FVTPL	0	0	0	0	0
Cash and Equivalents	173	82	206	288	364
Total Current Assets	**583**	**767**	**827**	**910**	**996**
Property Plant & Equipment - Net	135	155	139	123	111
Right of use assets	6	8	8	8	8
Intangible assets	0	0	0	0	0
Investments with associates	114	201	218	238	259
Total Non-Current Assets	**255**	**364**	**365**	**369**	**377**
Total Assets	**838**	**1,131**	**1,192**	**1,279**	**1,373**
Current Liabilities	385	590	576	579	588
Non-current Liabilities	49	58	59	60	61
Equity	404	483	558	640	724
Total Equity and Liabilities	**838**	**1,131**	**1,192**	**1,279**	**1,373**

Cash flow	2024a	2025a	2026e	2027e	2028e
Cash flow from Operations	193	81	216	179	174
Cash flow from Investing*	-38	-101	-10	-7	-6
Cash flow from Financing	-74	-71	-82	-90	-92
Total Cash flows	**82**	**-91**	**124**	**82**	**76**

*Source: Company, GIB Capital. * Including dividend income from JVs*

Figure 13:Key ratios

Key ratios	2024a	2025a	2026e	2027e	2028e
Profitability ratios					
RoA	13.6%	13.3%	13.2%	13.4%	12.8%
RoE	28.2%	31.2%	28.2%	26.8%	24.4%
Sales/Assets	130%	127%	122%	118%	112%
Net margin	10.4%	10.5%	10.8%	11.3%	11.5%
Liquidity ratios					
Current Assets/ Current Lia.	1.5	1.3	1.4	1.6	1.7
Receivable Days	95	128	110	105	105
Inventory Days	18	17	17	17	17
Payable days	75	82	80	80	80
Cash conversion cycle	38	63	47	42	42
Debt ratios					
Net Debt/EBITDA	-1.8x	-0.6x	-1.3x	-1.7x	-2.1x
Debt/Asset	1%	1%	1%	1%	0%
Valuation ratios					
P/E	18.0x	13.6x	13.0x	12.0x	11.6x
P/B	5.1x	4.3x	3.7x	3.2x	2.8x
EV/EBITDA	21.0x	13.8x	12.3x	11.7x	11.7x
(FCF + income from JV) yield	5.1%	1.3%	10.5%	8.8%	8.8%
Dividend yield	2.9%	3.8%	4.0%	4.4%	4.5%

Source: Company, GIB Capital

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