GAS Arabian Services

Strong backlog; compelling valuation

Company Update

Machinery. Saudi Arabia

Stock Rating	Target Price	Closing Price
Buy	SAR19.5	SAR15.7

What's Changed	From	To
Target price	18.5	19.5
2026e EPS	1.17	1.09
2027e EPS	1.42	1.37

A well-integrated player in KSA's industrial ecosystem; up TP and reiterate Buy

We up our TP to SAR19.5 and reiterate our Buy rating on GAS Arabian Services as: i) Technical Services will reap the execution benefits of last year's exceptionally strong wins (Fig. 4); and ii) the Trading arm remains at the equity story's core and books recurring orders. There is also a theme that seems to be gaining traction, as GAS tackles Jubail industrial players' needs for maintenance, shutdown and turnaround activities – making use of this period of geopolitical unrest to bring ahead maintenance plans, with GAS stepping up to offer its services. We also think the gas operations will continue to track Aramco's capex cycle closely – with a recent up to 12-year in-plant services award proving GAS's integration in KSA industrial ecosystem – with new projects fueling backlog growth and earnings visibility (Fig. 3). While the upcoming activity levels may be a cyclical peak for KSA capex spending, we argue that GAS is not yet reflecting this upside case. This is in addition to the company being upgraded to a CAT-1 qualified supplier with Aramco (from CAT-2), which could trigger even larger scale business activity. Valuation is now nowhere near full: GAS would be trading at a 2026 P/E of less than 15x, before compressing further in years to come. Also, FCF yields are set to trend to double digits, even after penciling in an easing in KSA's capex.

Strategic JVs continue to expand and deliver robust ROEs

The network of strategic partnerships is continuing to expand, with GAS having added two new JVs to its portfolio. This growing platform is becoming an increasingly important earnings contributor, with our JV and associate income estimates growing at a CAGR of c13% through 2030. Overall, we factor in conservative assumptions on the JV contributions and run ROAE estimates stabilising at c23% on a normalised basis, despite historical returns showing more favourable levels. This indicates a contribution of cSAR35mn to earnings (Fig. 5) in 2026 that heads towards SAR70mn+ towards our terminal year analysis, while 70% of that profit share is being upstreamed to GAS as dividends – offering sufficient cash for the company to distribute dividends.

Solid dividend growth story in the making

While management has historically been, in our view, ultra conservative in how it utilises the balance sheet capacity, there seem to be signs of change as some debt has been recently put on the books (SAR61mn in 1Q26). As such, we believe GAS's strong balance sheet with its net cash position of cSAR36mn (as of 1Q26), a relatively low capital intensity and trajectory of expanding operation cash flows provide ample justification for the company to up its dividends materially – with our estimates calling for payout ratios to increase gradually to c70% by 2027 (from 52% in 2025). This means that at a certain point, GAS transitions from a growth story to one that offers yields as lucrative as c6% by 2027, and higher beyond.

Key Financial Highlights (Dec Year End)

In SARmn, unless otherwise stated	2025a	2026e	2027e	2028e
Revenue	1,440	1,669	1,889	2,072
EBITDA	147	173	202	236
Net income	151	172	216	250
EPS (SAR)	0.95	1.09	1.37	1.58
EPS consensus (SAR)	0.95	1.14	1.34	1.46
Price to earnings	16.4x	14.4x	11.4x	9.9x
Dividend yield	3.2%	4.5%	6.1%	7.1%
Net debt (cash) / Equity	(0.2)x	(0.1)x	(0.2)x	(0.2)x
EV / EBITDA	16.5x	14.1x	12.1x	10.3x
ROAE	36.3%	35.3%	37.2%	36.4%
FCF yield	0.4%	-0.0%	6.0%	6.3%

Source: Gas Arabian Services, Bloomberg and EFG Hermes estimates

Stock Data

Closing Price	SAR15.7 as of 08 Jun 2026
Last Div. / Ex. Date	SAR0.230 / 03 Nov 2025
Mkt. Cap / Shares (mn)	USD658.0 / 157.9
Av. Daily Liquidity (mn)	USD1.43
52-Week High / Low	SAR18.1 / SAR12.0
Bloomberg / Reuters	GAS AB / 4146.SE
Est. Free Float	41.0%

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Data Miner

Investment Thesis

Gas Arabian Services is a prominent industrial and energy services company in Saudi Arabia, offering a comprehensive range of engineering, procurement, construction and maintenance services across key sectors, such as oil and gas, petrochemical, power and water. The company operates through three verticals: i) Technical Services, which contribute c30% to total revenues (2025-33e); ii) Trading, accounting for c60% of total revenues; and iii) Manufacturing, which provides +c5% of total revenue, on average. With major clients, such as SABIC and Aramco and a backlog of over SAR1.9bn, Gas Arabian Services leverages over three decades of industry expertise to align with Saudi Arabia's Vision 2030, positioning itself to benefit from the country's economic diversification and industrial growth. This strategic alignment, coupled with a skilled workforce and strong client relations, positions Gas Arabian Services as a key contributor to the region's industrial growth. We have a Buy rating on the name.

Valuation and Risks

We value Gas Arabian using the discounted cash flow (DCF) methodology, arriving at a target price of SAR19.5. We utilise a Weighted Average Cost of Capital (WACC) of c10% for GAS, with the main assumptions being a/an: i) risk-free rate of 4%; ii) equity risk premium of 6%; and iii) terminal growth rate of 3%. Our key valuation assumptions include: i) a terminal award size of cSAR1.5bn; and ii) terminal EBITDA margins rising to c15% (up from c9% in 2024). Key upside risks lie in: i) larger-than-expected market growth, driven by the underserved nature of the Saudi Arabian infrastructure market; ii) sustained margin performance; and iii) market share gains across main divisions. Downside risks include: i) faster-than-expected margin erosion, due to client concentration; ii) loss of contracts or non-renewals; and iii) slower-than-expected receivables collections.

Dec Year End In SARmn, unless otherwise stated	2025a	2026e	2027e	2028e
Income Statement				
Revenue	1,440	1,669	1,889	2,072
EBITDA	147	173	202	236
Net operating profit (EBIT)	105	140	177	212
Taxes or zakat	(5)	(8)	(14)	(22)
Minority interest	N/A	N/A	N/A	N/A
Net income	151	172	216	250
Balance Sheet				
Cash and cash equivalents	82	96	108	163
Total assets	1,131	1,287	1,387	1,538
Total liabilities	648	713	701	739
Total equity	483	574	686	799
Total net debt (cash)	(82)	(29)	(108)	(163)
Cash Flow Statement				
Cash operating profit after taxes	140	161	185	210
Change in working capital	(70)	(127)	(9)	(35)
CAPEX	(60)	(32)	(28)	(21)
Investments	(87)	(16)	(16)	(19)
Free cash flow	(77)	(14)	131	136
Net financing	(63)	(13)	(171)	(136)
Change in cash	(91)	15	12	55

Source: Gas Arabian Services, EFG Hermes estimates

Dec Year End In SARmn, unless otherwise stated	2025a	2026e	2027e	2028e
Per Share Financial Summary				
EPS (SAR)	0.95	1.09	1.37	1.58
DPS (SAR)	0.50	0.71	0.96	1.11
BVPS (SAR)	3.05	3.63	4.34	5.06
Valuation Metrics				
Price to earnings	16.4x	14.4x	11.4x	9.9x
Price to book value	5.1x	4.3x	3.6x	3.1x
Price to cash flow	17.6x	15.3x	13.4x	11.8x
FCF yield	0.4%	-0.0%	6.0%	6.3%
Dividend yield	3.2%	4.5%	6.1%	7.1%
EV / EBITDA	16.5x	14.1x	12.1x	10.3x
EV / Invested capital	6.1x	4.5x	4.2x	3.8x
ROAIC	33.3%	33.5%	32.2%	32.5%
ROAE	36.3%	35.3%	37.2%	36.4%
KPIs				
Revenue growth (Y-o-Y)	31.8%	15.9%	13.2%	9.7%
EBITDA growth (Y-o-Y)	49.9%	17.2%	16.9%	17.1%
Gross profit margin	15.7%	16.9%	17.4%	17.5%
EBITDA margin	10.2%	10.3%	10.7%	11.4%
Net operating profit (EBIT) margin	7.3%	8.4%	9.4%	10.2%
Effective tax rate	3.0%	4.7%	6.0%	8.0%
Net Debt (Cash) / Equity	(0.2)x	(0.1)x	(0.2)x	(0.2)x
Net Debt (Cash) / EBITDA	(0.6)x	(0.2)x	(0.5)x	(0.7)x

Source: Gas Arabian Services, EFG Hermes estimates

Figure 1: DCF valuation summary

In SARmn, unless otherwise stated

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
NOPAT	132	210	243	228	238	242	248	254
D&A	20	21	20	18	17	17	18	19
COPAT	153	231	263	247	255	258	265	273
Change in WC	(82)	(9)	(35)	36	4	9	(1)	(1)
Capex	(28)	(28)	(21)	(12)	(11)	(12)	(22)	(22)
FCFF	43	193	208	271	247	256	243	250
PV of FCF (2025-33)	1,037							
Terminal value	2,004							
Enterprise value	3,041							
Net debt	(36)							
Equity value	3,077							
TP (SAR)	19.50							

Note: excludes 1Q26 FCFs
Source: EFG Hermes estimates

Figure 2: TP sensitivity to terminal growth rate and cost of equity

In SAR

		Cost of equity						
		7.0%	8.0%	9.0%	10.0%	11.0%	12.0%	13.0%
TGR	1.0%	24.80	21.30	18.70	16.60	15.00	13.60	12.50
	2.0%	28.30	23.70	20.40	17.90	15.90	14.40	13.10
	3.0%	33.60	27.00	22.60	19.50	17.10	15.30	13.80
	4.0%	42.30	32.00	25.80	21.60	18.60	16.40	14.60
	5.0%	60.00	40.40	30.60	24.60	20.70	17.80	15.70

Source: EFG Hermes estimates

Figure 3: Operating summary

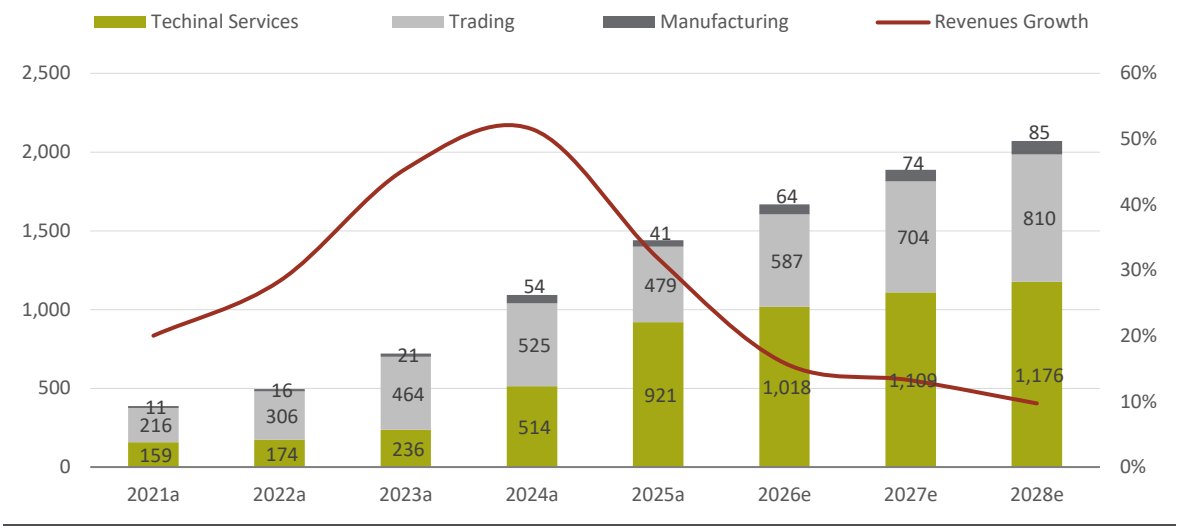
In SARmn, unless otherwise stated

	2023a	2024a	2025a	2026e	2027e	2028e	2029e	2030e	2031e
Backlog - Beginning Balance	443	731	1661	1983	1482	1671	1671	1671	1518
Awards	1010	2023	1762	1168	2078	2072	1576	1376	1299
Awards/Revenues	1.40	1.85	1.22	0.70	1.10	1.00	1.00	0.90	0.90
Execution	(722)	(1,093)	(1,440)	(1,669)	(1,889)	(2,072)	(1,576)	(1,529)	(1,443)
Backlog - Ending Balance	731	1,661	1,983	1,482	1,671	1,671	1,671	1,518	1,374
Backlog to revenue	1.01	1.52	1.38	0.89	0.88	0.81	1.06	0.99	0.95
Financial Summary									
Revenues	722	1,093	1,440	1,669	1,889	2,072	1,576	1,529	1,443
Gross Profit	135	172	226	282	329	363	306	307	298
Gross Profit Margin	*19%*	*16%*	*16%*	*17%*	*17%*	*17%*	*19%*	*20%*	*21%*
EBITDA	58	98	147	173	202	236	211	215	214
EBITDA Margin	*8%*	*9%*	*10%*	*10%*	*11%*	*11%*	*13%*	*14%*	*15%*
Net Income	82	114	151	172	216	250	236	246	251
Net Income Margin	*11%*	*10%*	*10%*	*10%*	*11%*	*12%*	*15%*	*16%*	*17%*
ROAE	26%	32%	36%	35%	37%	36%	30%	29%	28%
ROAIC	17%	31%	33%	34%	32%	33%	27%	27%	27%

Source: Company data, EFG Hermes estimates

Figure 4: Revenue progression by service type

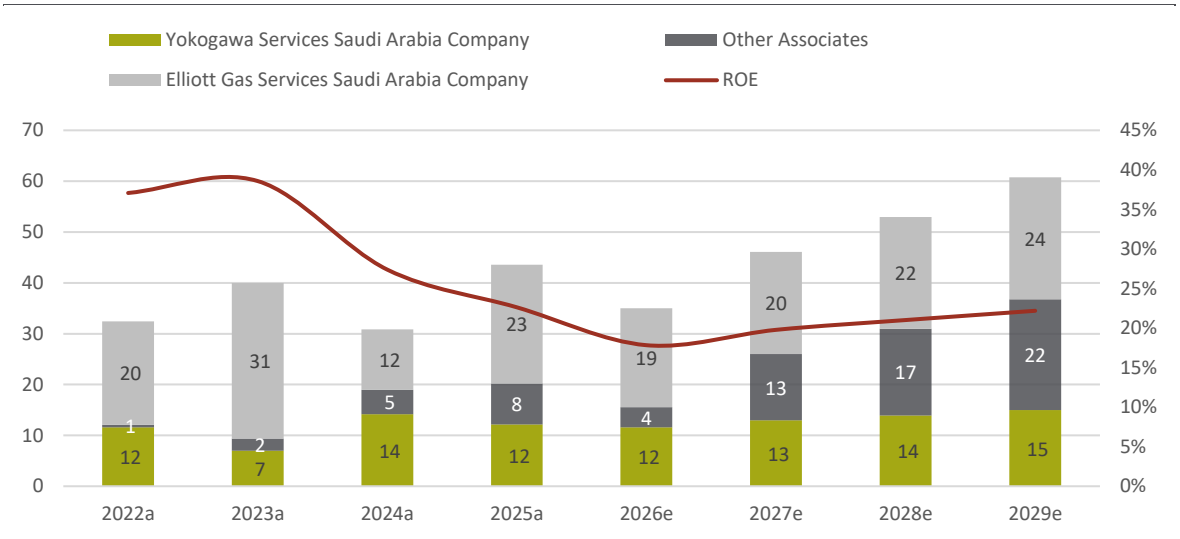
In SARmn



Source: Company data, EFG Hermes estimates

Figure 5: Investment income from associates

In SARmn



Source: Company data, EFG Hermes estimates

Financial Statements

Income Statement (Dec Year End)

In SARmn	2025a	2026e	2027e	2028e
Revenue	1,440	1,669	1,889	2,072
COGS	(1,214)	(1,387)	(1,561)	(1,710)
Gross profit	226	282	329	363
SG&A	(121)	(142)	(151)	(150)
Other operating inc (expense)	N/A	N/A	N/A	N/A
EBITDA	147	173	202	236
Depreciation and amortisation	(43)	(33)	(24)	(24)
Net operating profit (EBIT)	105	140	177	212
Share of results from associates	43	35	46	53
Net investment income (loss)	N/A	N/A	N/A	N/A
Net interest income (expense)	(0)	(3)	1	2
Other non-operating inc (exp.)	8	9	5	5
FX gains (loss)	0	0	0	0
Net provisions	N/A	N/A	N/A	N/A
Income before taxes or zakat	156	180	230	272
Taxes or zakat	(5)	(8)	(14)	(22)
Net inc before minority interest	151	172	216	250
Minority interest	N/A	N/A	N/A	N/A
Reported net income	151	172	216	250
Adjusted net income	151	172	216	250

Source: Gas Arabian Services, EFG Hermes estimates

Balance Sheet (Dec Year End)

In SARmn	2025a	2026e	2027e	2028e
Cash and cash equivalents	82	96	108	163
Accounts receivable (current)	505	572	621	681
Inventory	57	74	84	93
Other debit balances (current)	124	160	166	170
Total current assets	767	902	979	1,108
PP&E (net)	155	158	165	166
Goodwill & intangibles	8	10	10	12
Investments (non-current)	201	217	233	252
Other debit balances (non-current)	0	0	0	0
Total non-current assets	364	385	408	430
Total assets	1,131	1,287	1,387	1,538
Short term debt	0	67	0	0
Accounts payable (current)	273	242	296	347
Other credit balances (current)	317	342	345	331
Total current liabilities	590	651	640	678
Long term debt	0	0	0	0
Other credit balances (non-current)	N/A	N/A	N/A	N/A
Total non-current liabilities	58	62	61	61
Total net worth	483	574	686	799
Total equity	483	574	686	799
Total equity and liabilities	1,131	1,287	1,387	1,538

Source: Gas Arabian Services, EFG Hermes estimates

Cash Flow (Dec Year End)

In SARmn	2025a	2026e	2027e	2028e
Cash operating profit after taxes	140	161	185	210
Change in working capital	(70)	(127)	(9)	(35)
Cash flow after change in WC	70	35	176	175
CAPEX	(60)	(32)	(28)	(21)
Investments	(87)	(16)	(16)	(19)
Free cash flow	(77)	(14)	131	136
Non-operating cash flow	49	41	52	55
Cash flow before financing	(28)	28	183	191
Net financing	(63)	(13)	(171)	(136)
Change in cash	(91)	15	12	55

Source: Gas Arabian Services, EFG Hermes estimates

Rating and Target Price chart



Rating Distribution

Rating	Coverage Universe%
Buy	58%
Neutral	35%
Sell	6%
Not Rated	0%
Under Review	0%

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Company (Reuters/Bloomberg)	Last Rating	Price (08 Jun 2026)
Abraj Energy Services (ABRJ.OM/ABRJ OM)	Neutral	OMR0.42
Action Energy (ALFTAQA.KW/ALFTAQA KK)	Buy	KWD0.26
ACWA Power (2082.SE/ACWA AB)	Sell	SAR187.70
Abu Dhabi Ports (ADPORTS.AD/ADPORTS UH)	Buy	AED4.29
ADES Holding (2382.SE/ADES AB)	Buy	SAR18.97
ADNOC Drilling (ADNOCDRILL.AD/ADNOCDRI UH)	Buy	AED5.60
ADNOC Gas (ADNOCGAS.AD/ADNOCGAS UH)	Buy	AED3.28
ADNOC Logistics & Services (ADNOCLS.AD/ADNOCLS UH)	Buy	AED5.73
Alkhorayef Water & Power (2081.SE/AWPT AB)	Buy	SAR121.30
Arabian Drilling Co (2381.SE/ARABIAND AB)	Buy	SAR90.45
Asyad Shipping Company (ASCO.OM/ASCO OM)	Buy	OMR0.26
Dana Gas (DANA.AD/DANA UH)	Buy	AED0.90
DEWA (DEWAA.DU/DEWA UH)	Buy	AED2.59
EK Holding (VLMR.CA/VLMR EY)	Buy	USD0.67
EMPOWER (EMPOWER.DU/EMPOWER UH)	Buy	AED1.60
Gas Arabian Services (4146.SE/GAS AB)	Buy	SAR15.65
Gulf Warehousing (GWCS.QA/GWCS QD)	Buy	QAR2.17
Integrated Holding Company (IHC) (INTG.KW/INTEGRAT KK)	Neutral	KWD0.41
Marafiq (2083.SE/MARAFIQ AB)	Buy	SAR38.28
Nakilat (QGTS.QA/QGTS QD)	Buy	QAR4.10
NMDC Energy (NMDCENR.AD/NMDCENR UH)	Buy	AED2.88
NMDC Group (NMDC.AD/NMDC UH)	Buy	AED19.06
OQ Gas Networks SAOC (OQGN.OM/OQGN OM)	Neutral	OMR0.23
Qatar Electricity & Water (QEWC) (QEWC.QA/QEWS QD)	Buy	QAR14.16
Riyadh Cables Group (4142.SE/RIYADHCA AB)	Sell	SAR116.60
Salik (SALIK.DU/SALIK UH)	Sell	AED5.65
Saudi Aramco (2222.SE/ARAMCO AB)	Buy	SAR27.16
Tabreed (TABR.DU/TABREED UH)	Buy	AED2.54
TAQA (TAQA.AD/TAQA UH)	Sell	AED2.32