Target Price: SAR18.0/share
Current Price: SAR16.28/share
Upside: 10.5% (+Div. Yield: 3.1%)
Rating: Overweight

Gas Arabian Services Company (GAS)

Raise TP to SAR18/sh on improved margin and strong JV income

- Strong 2Q26 results; topline broadly in line, while earnings beat on stronger gross margins driven by favorable mix/project life cycle and higher JV income.
- Backlog replenishment likely to pick up in 2H26, supported by Category upgrade and strong bidding pipeline, driving 3.4% revenue CAGR over 2025–28e and 8.6% earnings CAGR, aided by stronger GP margins and healthy JV income.
- Post revising estimates, we raise TP to SAR18.0/sh (SAR16.5/sh earlier) using an equal mix of P/E (15x on avg of 2026-27e EPS) and DCF, maintaining an **Overweight** rating.

2Q26 results: Gas' 2Q26 revenue increased ~14% y/y to SAR364mn, in line with our estimate, driven by successful order execution, particularly in the technical and manufacturing segments, which grew ~47% y/y and ~13%, respectively, more than offsetting a ~24% decline in trading revenue. Gross profit increased 7% y/y, despite gross margin declining to 18.3% from 19.5% in 2Q25 (GIBCe: 17.0%), mainly due to weaker trading margins due to higher logistics costs and excise duties on certain imported spare parts. Nevertheless, the overall gross margin remained strong at 18.3%, supported by a favorable business mix and project life cycle. This, coupled with operating efficiencies and strong JV income, drove a 13% y/y increase in operating profit, ~23% ahead of GIBCe. Overall, net profit rose ~10% y/y to SAR43mn, ~19% above our estimate, primarily driven by stronger margins and better-than-expected JV income.

Backlog replenishment is likely to pick up in 2H26… While the company's revenue grew 13% y/y to SAR726mn in 1H26, supported by strong execution rates, the total backlog declined ~22% YTD (down ~12% q/q in 2Q26) due to weaker contract awards (SAR296mn of new orders) in 1H26. We believe this reflects 1Q26 seasonality (Ramadan/Eid) and regional conflicts, which likely delayed awards. However, we expect new award activity to pick up in 2H26, supported by i) the upgrade to CAT 1 eligibility for Aramco— allowing it to secure contracts of up to SAR563mn versus SAR300mn previously under CAT 2, ii) a healthy project pipeline currently under bidding stage, iii) improving demand for manpower services and maintenance work and iv) an overall improvement in business activity in KSA (KSA's PMI rose to 53.1 in July from low of 48.8 in March'26).

Figure 1: Key financial metrics

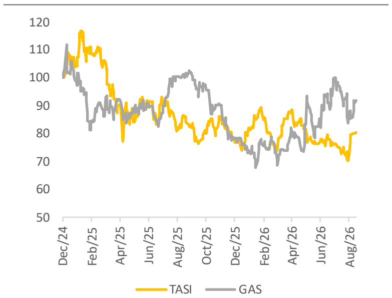
SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	1,093	1,440	1,482	1,544	1,590
Revenue growth	*51%*	*32%*	*3%*	*4%*	*3%*
Gross profit	172	226	262	273	274
Gross profit margin	*15.8%*	*15.7%*	*17.7%*	*17.7%*	*17.2%*
Op. income + JV income	111	149	168	183	188
Net profit	114	151	168	187	193
Net profit growth %	*40%*	*32%*	*11%*	*12%*	*3%*
Net profit margin	*10.4%*	*10.5%*	*11.3%*	*12.1%*	*12.1%*
EPS (SAR)	0.72	0.95	1.06	1.19	1.22
DPS (SAR)	0.38	0.50	0.50	0.59	0.61
P/E	22.6x	17.1x	15.3x	13.7x	13.3x
EV/EBITDA	27.4x	18.0x	16.1x	15.1x	14.9x

Source: Company data, GIB Capital

Stock data	
TASI Ticker	4146
Mkt cap (SARmn)	2,572
Trd. Val 3m (SARmn)	5.5
Free float	43.8%
QFI holding	4.3%
TASI FF weight	0.11%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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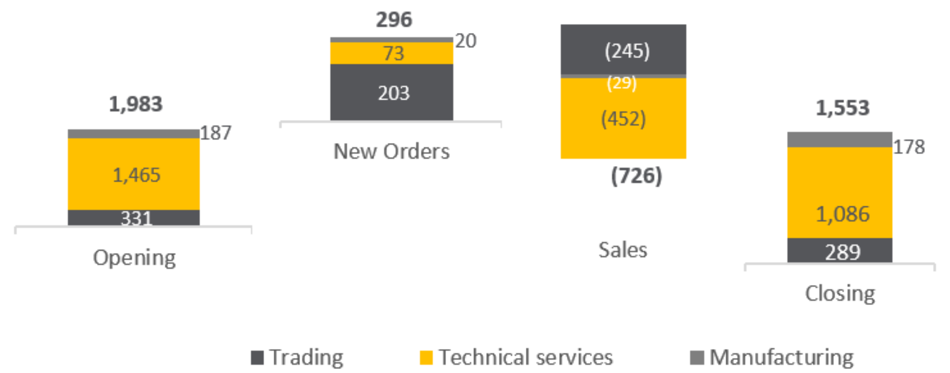
In addition, the long-term Aramco agreement signed in April 2026 for in-plant services across multiple disciplines should support future order inflow. Accordingly, we conservatively expect backlog to increase gradually in 2H26 and may remain broadly stable thereafter, supporting revenue visibility. Accordingly, based on current backlog recognition timeline (35% in 2H26e, 55-60% in 2027e) and conservative forecast for new orders, we expect annual top line of SAR1.5-1.6bn, implying a CAGR of 3.4% (vs. 2.3% previously) over 2025-28e.

Figure 2: Order backlog evolution – 2025-1H26 (SARmn)



Source: Company data, GIB Capital

…driving earnings at a CAGR of 8.6% over 2025-28e, aided by better margins and strong JV income: Gas Arabian has maintained a solid gross margin of 18.2% in 1H26, primarily supported by the technical and manufacturing segments on a favorable mix and project life cycle. This came despite pressure on the trading segment driven by higher logistics costs and increased import duties on certain spare parts. Going forward, we expect overall gross margin to ease slightly to 17.2% in 2H26, reflecting continued pressure on the trading segment and normalization in the manufacturing segment margin. This implies a full-year 2026e margin of 17.7%, gradually moderating to 17.2% by 2028e as a less favorable mix/project life cycle in the technical segment broadly offsets a recovery in trading segment margin (led by passing on higher import costs and a better stocking strategy by constructing a new warehouse). Overall, this represents an average 1-1.2ppt upward revision to our gross margin assumptions versus the previous 16.4–16.7% range.

Consequently, despite relatively higher OPEX assumptions, the improved gross margin, coupled with strong JV income (driven by improvement at the existing JVs and incremental contribution from new JVs), has led to an upward revision to earnings, implying an 8.6% CAGR over 2025–28e, versus 5.4% previously.

Revision in estimates: Overall, we raise our revenue estimates by 2% each for both 2026e and 2027e, primarily supported by the Category upgrade and a healthy bidding pipeline. Moreover, we raise our gross margin assumptions by 1.2ppt and 1.0ppt for 2026e and 2027e, respectively, reflecting an improved project life cycle in the technical segment and higher in-house manufacturing activity, despite continued near-term pressure on the trading segment. Consequently, stronger gross margins, coupled with solid JV income, drive 7% and 9% upward revisions to our earnings estimates for 2026e and 2027e, respectively.

Figure 3: Revision in estimates

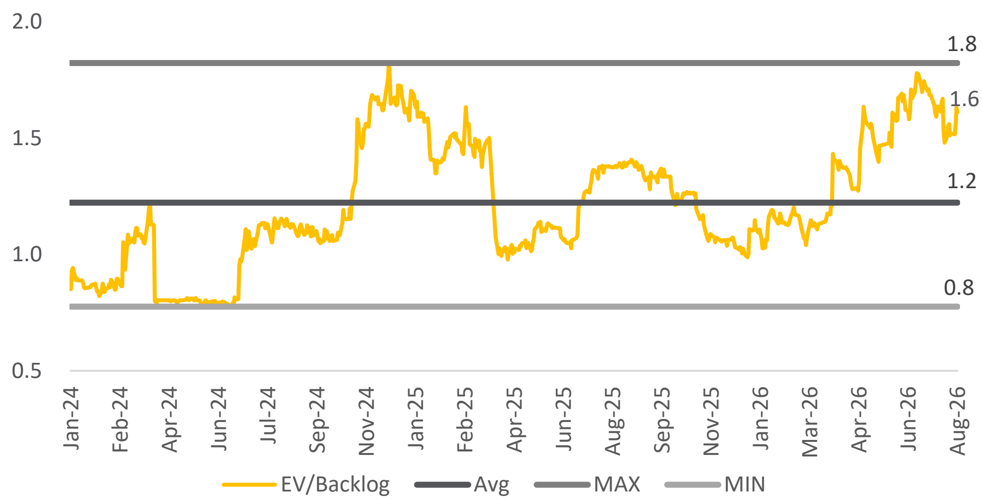
SARmn	2026e			2027e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	**1,482**	**1,460**	**2%**	**1,544**	**1,514**	**2%**
Gross profit	262	240	9%	273	253	8%
GPM %	17.7%	16.4%		17.7%	16.7%	
Operating Profit	123	111	10%	132	121	9%
OPM %	8.3%	7.6%		8.5%	8.0%	
Op. profit + JV income	168	155	8%	183	170	8%
Net profit	**168**	**157**	**7%**	**187**	**172**	**9%**
NPM %	11.3%	10.8%		12.1%	11.3%	

Source: Company data, 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 15x multiple (unchanged) to an average of 2026-27e EPS, arriving at a 1-year forward TP of SAR18.5/sh. For DCF, using a WACC of 10%, we derive a 1-year forward TP of SAR17.5/sh. This results in a blended 1-year forward TP of SAR18.0/sh (SAR16.5/sh earlier), implying an upside of ~11% and an Overweight rating.

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

Figure 4: TTM - EV/Backlog



Source: Bloomberg, as of 13 Aug 2026, Company data, GIB Capital

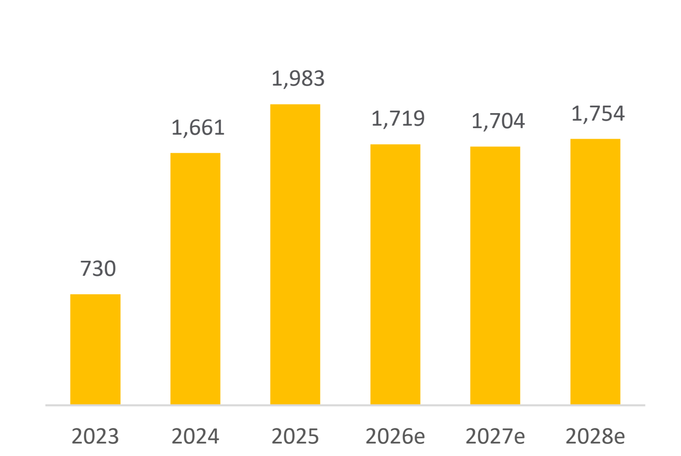
Figure 5: 2Q26 results

SARmn	2Q26	2Q25	y/y %	1Q26	q/q %	GIBC est.	Variance %
Revenues	**364**	**320**	**14.0%**	**361**	**0.8%**	**368**	**-1.1%**
Cost of sales	298	257	15.6%	296	0.6%	306	-2.6%
Gross profit	**67**	**62**	**7.0%**	**65**	**1.9%**	**63**	**6.2%**
OPEX	22	23	-3.7%	29	-23.1%	26	-16.4%
EBIT+JV income	**45**	**39**	**13.3%**	**37**	**21.6%**	**36**	**22.6%**
Net income	**43**	**39**	**10.1%**	**38**	**12.1%**	**36**	**18.7%**
Gross margin	18.3%	19.5%		18.1%		17.0%	
Operating margin	12.2%	12.3%		10.1%		9.9%	
Net margin	11.7%	12.1%		10.6%		9.8%	

Source: Tadawul, GIB Capital

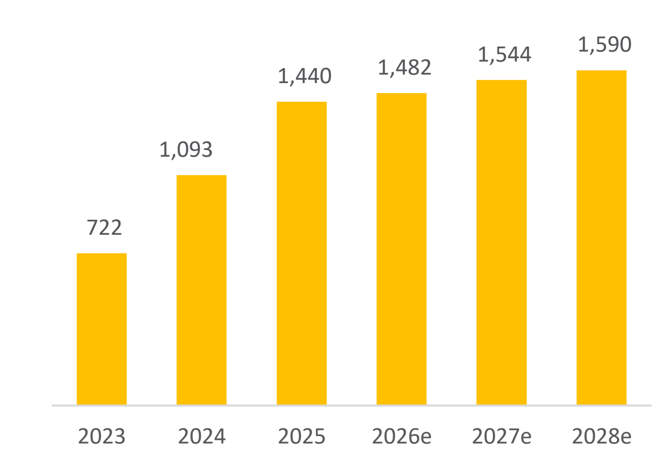
Financial analysis in charts

Figure 6: Backlog (SARmn)



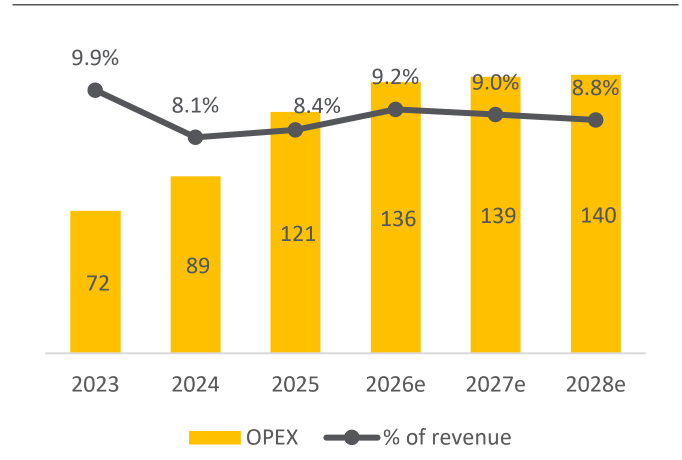
Source: Company data, GIB Capital

Figure 7: Revenue (SARmn)



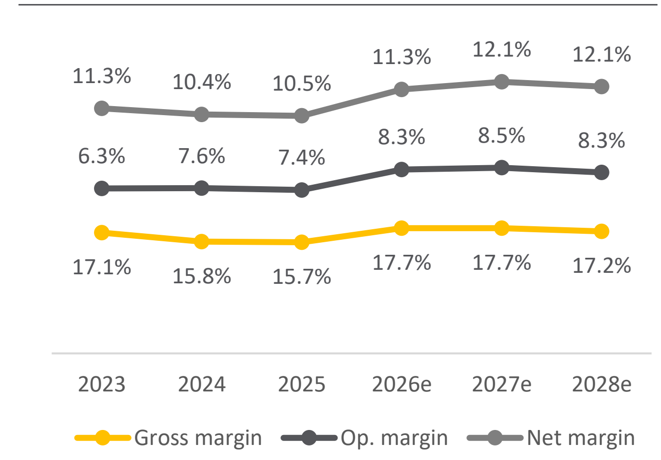
Source: Company data, GIB Capital

Figure 8: OPEX (SARmn)



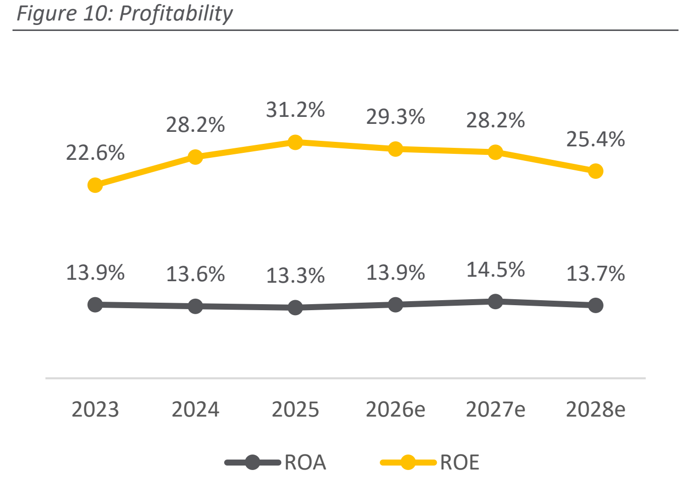
Source: Company data, GIB Capital

Figure 9: Margin trend



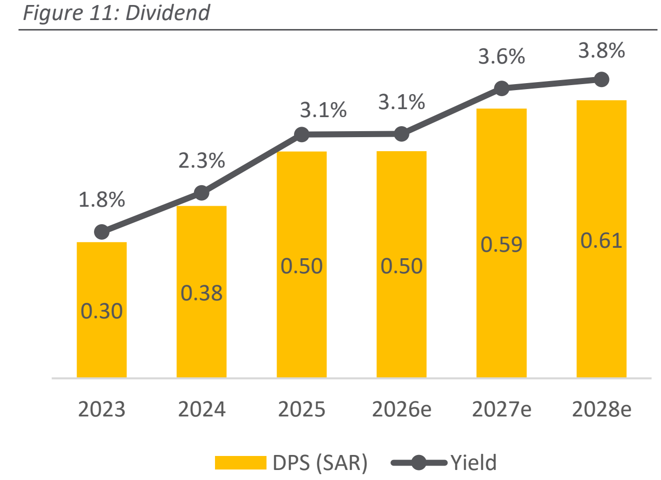
Source: Company data, GIB Capital

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**	**1,482**	**1,544**	**1,590**
revenue y/y	*51.5%*	*31.8%*	*2.9%*	*4.2%*	*3.0%*
COGS	921	1,214	1,220	1,271	1,316
Gross Profit	**172**	**226**	**262**	**273**	**274**
Gross Profit margin	*15.8%*	*15.7%*	*17.7%*	*17.7%*	*17.2%*
Selling, General & Admin expense	89	121	136	139	140
ECL (provision)/reversal	(1)	1	(3)	(2)	(2)
Operating profit	**83**	**106**	**123**	**132**	**132**
Operating margin	*7.6%*	*7.4%*	*8.3%*	*8.5%*	*8.3%*
Other income	9	9	11	11	12
Finance costs	(1)	(2)	(5)	(1)	(0)
Income from Associates & JVs	28	43	45	51	57
PBT	**119**	**156**	**174**	**194**	**200**
Zakat/tax	5	5	6	7	7
Net income	**114**	**151**	**168**	**187**	**193**
Net margin	*10.4%*	*10.5%*	*11.3%*	*12.1%*	*12.1%*
y/y	*39.9%*	*32.3%*	*11.2%*	*11.7%*	*3.1%*
EPS	**0.7**	**1.0**	**1.1**	**1.2**	**1.2**
DPS	0.4	0.5	0.5	0.6	0.6
Payout	53%	52%	47%	50%	50%
EBITDA	**96**	**146**	**163**	**174**	**176**
EBITDA + Income from JVs	124	189	208	226	233
Net debt (w/o lease liabilities)	**-173**	**-82**	**-177**	**-262**	**-366**

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Inventories	45	57	50	52	54
Receivable and unbilled revenue	286	505	467	465	457
Prepaid Expenses and Other	80	124	125	128	132
Investments at FVTPL	0	0	0	0	0
Cash and Equivalents	173	82	192	262	366
Total Current Assets	**583**	**767**	**834**	**908**	**1,009**
Property Plant & Equipment - Net	135	155	145	136	127
Right of use assets	6	8	8	8	8
Intangible assets	0	0	0	0	0
Investments with associates	114	201	219	239	261
Total Non-Current Assets	**255**	**364**	**371**	**383**	**396**
Total Assets	**838**	**1,131**	**1,205**	**1,291**	**1,405**
Current Liabilities	385	590	574	565	581
Non-current Liabilities	49	58	60	61	63
Equity	404	483	571	665	762
Total Equity and Liabilities	**838**	**1,131**	**1,205**	**1,291**	**1,405**

Cash flow	2024a	2025a	2026e	2027e	2028e
Cash flow from Operations	193	81	177	182	201
Cash flow from Investing*	-38	-101	-3	-3	-1
Cash flow from Financing	-74	-71	-64	-109	-97
Total Cash flows	**82**	**-91**	**110**	**70**	**103**

*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%	13.9%	14.5%	13.7%
RoE	28.2%	31.2%	29.3%	28.2%	25.4%
Sales/Assets	130%	127%	123%	120%	113%
Net margin	10.4%	10.5%	11.3%	12.1%	12.1%
Liquidity ratios					
Current Assets/ Current Lia.	1.5	1.3	1.5	1.6	1.7
Receivable Days	95	128	115	110	105
Inventory Days	18	17	15	15	15
Payable days	75	82	75	75	75
Cash conversion cycle	38	63	55	50	45
Debt ratios					
Net Debt/EBITDA	-1.8x	-0.6x	-1.1x	-1.5x	-2.1x
Debt/Asset	1%	1%	2%	1%	0%
Valuation ratios					
P/E	22.6x	17.1x	15.3x	13.7x	13.3x
P/B	6.4x	5.3x	4.5x	3.9x	3.4x
EV/EBITDA	27.4x	18.0x	16.1x	15.1x	14.9x
(FCF + income from JV) yield	4.0%	1.0%	7.2%	7.3%	8.1%
Dividend yield	2.3%	3.1%	3.1%	3.6%	3.8%

Source: Company, GIB Capital

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