Gas Arabian Services

A rising star in KSA's industrials space

Initiation of Coverage

Machinery. Saudi Arabia

www

Stock Rating
Buy

Target Price
SAR18.5

Closing Price
SAR15.6

Leveraging on KSA's infrastructure evolution; initiate with a Buy

We initiate coverage on Gas Arabian Services (GAS), a leading provider of technical services and value-added products in KSA's industrials sector, which also has its eyes set on a move from Nomu to Tadawul, with a TP of SAR18.5 and a Buy rating (c18% upside). GAS' equity story was built on a number of attractive features, such as: i) strategic positioning that delivers critical EPC, manpower and OEM products for KSA's expanding industrial base – driving a 21% EPS CAGR (2025-29e); ii) defensive stream of FCFs stemming from a robust backlog of SAR1.66bn (as of FY24), underpinned by recurring and LT agreements with industry giants (Aramco and SABIC); iii) a healthy balance sheet capacity that can tackle further growth initiatives, while sustaining dividend distributions, particularly due to a net cash position (SAR173mn) and a relatively asset-light model; and iv) robust returns of 30%+ ROAEs and ROAICs. While the market has been very constructive on GAS' share price (+50% since Apr 2024), we think there is still value to be captured, as it is trading at a c17x 2025e P/E multiple, with growth bound to be unlocked soon. We also argue that there may be further upside optionality risks to our numbers, rather than downside, as KSA's "Master Gas System" develops and could incentivise more downstream investments.

A well-structured business, with relatively sticky revenue streams

GAS built a resilient model by diversifying its products and services across key sectors – oil & gas, electricity and cement – ensuring sustainable long-term demand, with a backlog of SAR1.66bn. GAS' strong positioning is also reinforced by medium- and long-term contracts with major clients (+30% revenues contribution) that customarily have a recurring nature, thanks to its original equipment manufacturer (OEM) licences and the value-added products it provides. We anticipate an EPS CAGR of 21% (2025-29e), with trading solutions leading the way (c58% of rev. contribution) through offering value-added products and spare parts to clients from 27 exclusive OEMs. In addition, technical services, primarily in EPC, account for c37% of revenues and are poised for accelerated growth by capitalising on increased infrastructure and demand, in line with KSA's Vision 2030. While manufacturing accounts for only 5% of our revenue forecasts, it is still relatively at its infancy stage and will, ultimately, have positive implications on the group's margins and performance.

Robust balance sheet and cash flow engine propel 6%+ dividend yield

GAS' current net cash positions it favourably to undertake a capex spending round, if and when an opportunity presents itself; however, given the relatively low capex intensity, as it stands today, we assume gradual improvements in dividend payouts to reach c70% by 2027 (from 53% in 2024). This assumption, along with the underlying earnings growth, means that GAS could be offering dividend yields as high as c6.5% in 2027 – a level that is supported easily by a healthy stream of FCFFs.

Key Financial Highlights (Dec Year End)

In SARmn, unless otherwise stated	2024a	2025e	2026e	2027e
Revenue	1,093	1,269	1,500	1,725
EBITDA	98	135	180	220
Net income	114	145	184	224
EPS (SAR)	0.72	0.92	1.17	1.42
EPS consensus (SAR)	0.72	N/A	N/A	N/A
Price to earnings	21.6x	17.0x	13.4x	11.0x
Dividend yield	2.4%	3.5%	4.9%	6.4%
Net debt (cash) / Equity	(0.4)x	(0.3)x	(0.3)x	(0.2)x
EV / EBITDA	23.3x	16.9x	12.7x	10.4x
ROAE	31.6%	34.4%	36.9%	37.3%
FCF yield	4.9%	-1.1%	3.7%	3.1%

Source: Gas Arabian Services, Bloomberg and EFG Hermes estimates

Stock Data

Closing Price	SAR15.6 as of 30 Apr 2025
Last Div. / Ex. Date	SAR0.230 / 03 Nov 2025
Mkt. Cap / Shares (mn)	USD656.6 / 157.9
Av. Daily Liquidity (mn)	USD0.35
52-Week High / Low	SAR19.8 / SAR9.7
Bloomberg / Reuters	GAS AB / 9528.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, petrochemicals, power and water. The company operates through three verticals: i) Technical Services, which we expect to contribute c30% to total revenues (2025-33e); ii) Trading (c60% of total); and iii) Manufacturing (+c5%). With major clients, such as SABIC and Aramco and a backlog of over SAR1.66bn, 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 SAR18.50. We utilise a Weighted Average Cost of Capital (WACC) of 10% 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 4%. 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	2024a	2025e	2026e	2027e
Income Statement				
Revenue	1,093	1,269	1,500	1,725
EBITDA	98	135	180	220
Net operating profit (EBIT)	83	118	161	201
Taxes or zakat	(5)	(13)	(16)	(20)
Minority interest	N/A	N/A	N/A	N/A
Net income	114	145	184	224
Balance Sheet				
Cash and cash equivalents	173	138	173	166
Total assets	838	917	1,052	1,147
Total liabilities	434	421	453	436
Total equity	404	496	599	711
Total net debt (cash)	(173)	(138)	(173)	(166)
Cash Flow Statement				
Cash operating profit after taxes	92	121	161	197
Change in working capital	90	(115)	(60)	(107)
CAPEX	(63)	(38)	(15)	(17)
Investments	(7)	9	(9)	(10)
Free cash flow	112	(23)	78	63
Net financing	(61)	(44)	(78)	(109)
Change in cash	82	(34)	35	(6)

Source: Gas Arabian Services, EFG Hermes estimates

Dec Year End In SARmn, unless otherwise stated	2024a	2025e	2026e	2027e
Per Share Financial Summary				
EPS (SAR)	0.72	0.92	1.17	1.42
DPS (SAR)	0.38	0.55	0.76	0.99
BVPS (SAR)	2.56	3.14	3.79	4.50
Valuation Metrics				
Price to earnings	21.6x	17.0x	13.4x	11.0x
Price to book value	6.1x	5.0x	4.1x	3.5x
Price to cash flow	26.8x	20.4x	15.3x	12.5x
FCF yield	4.9%	-1.1%	3.7%	3.1%
Dividend yield	2.4%	3.5%	4.9%	6.4%
EV / EBITDA	23.3x	16.9x	12.7x	10.4x
EV / Invested capital	9.9x	6.4x	5.4x	4.2x
ROAIC	31.5%	36.8%	43.0%	40.9%
ROAE	31.6%	34.4%	36.9%	37.3%
KPIs				
Revenue growth (Y-o-Y)	51.5%	16.1%	18.2%	15.0%
EBITDA growth (Y-o-Y)	69.7%	37.6%	33.1%	22.1%
Gross profit margin	15.8%	19.3%	19.5%	19.6%
EBITDA margin	9.0%	10.7%	12.0%	12.8%
Net operating profit (EBIT) margin	7.6%	9.3%	10.8%	11.6%
Effective tax rate	3.9%	8.0%	8.0%	8.0%
Net Debt (Cash) / Equity	(0.4)x	(0.3)x	(0.3)x	(0.2)x
Net Debt (Cash) / EBITDA	(1.8)x	(1.0)x	(1.0)x	(0.8)x

Source: Gas Arabian Services, EFG Hermes estimates

Contents

1. Investment Thesis

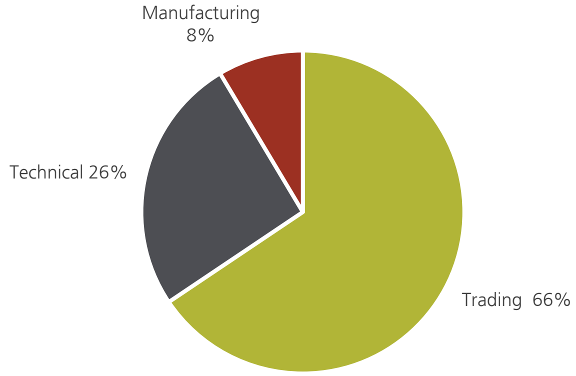
Backend support for KSA's industrial growth

Gas Arabian Services (GAS), established in 1992, is a prominent industrial service provider in Saudi Arabia, with a strong presence in the industrial cities of Jubail and Yanbu. The company is currently listed in KSA's second tier market (Nomu) and has recently withdrew its transition request to the main market (Tadawul) until it complies with the liquidity and standards of the market and will be resubmitting its request once more. GAS specialises in supplying and servicing a wide range of equipment and solutions for the oil and gas, petrochemical, energy and utility sectors, through providing its technical expertise (including EPC) and high-quality products to major clients, such as Saudi Aramco and SABIC, with a secured backlog standing at SAR1.66bn (as of FY24).

GAS operates through a well-structured and diversified portfolio of business segments, encompassing a broad spectrum of solutions – from specialised equipment and maintenance services to advanced engineering and technical support, including:

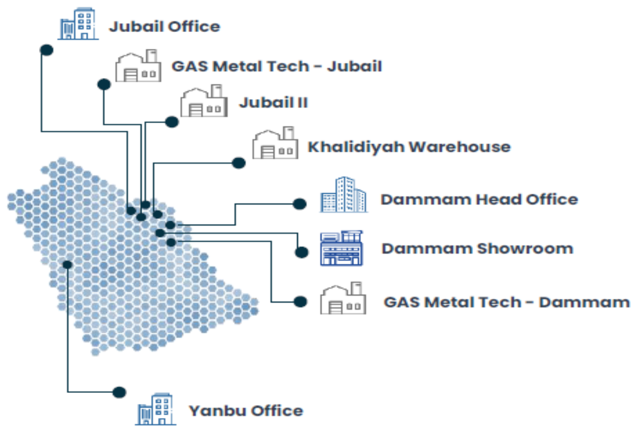
- **Trading solutions (48% of revenues – FY24):** Instrumental, electrical and mechanical value-added industrial products from top manufacturers.
- **Technical services (47% of revenues – FY24):** Engineering, procurement and construction services (EPC), manpower supply, as well as maintenance and support for shutdowns and rotating equipment.
- **Manufacturing (5% of revenues – FY24):** Specialised manufactured products including spare parts for the oil and gas sectors, in addition to warehousing services.

Figure 1: Segmental contribution to GP (average 2025-33e)
In %



Source: EFG Hermes estimates

Figure 2: GAS' offices and facilities across KSA



Source: Company data

Figure 3: GAS offers a wide range of products and services across its segments

Segment	Products and services	
Trading	A) Instrumental and electrical equipment: • Pressure, flow, level and temperature instruments • Gas and liquid analysers • Automatic sampling systems	B) Mechanical solutions sourcing: • Steam turbines, compressors and pumps • Flow control and monitoring equipment. • Tubing and piping systems
Technical	A) Project management: • Onshore pipeline contractor • In-plant construction GBS • Process control systems	B) Field services division: • Rotating equipment overhauling • Long-term maintenance • Shutdowns/turnaround/emergency maintenance
Manufacturing	A) Skid and tie-in solutions: • Chemical injection skids • Gas and oil modular skids • Pressure reduction, valve, and surge relief skid	B) Structural and piping components: • Structural steel and various spools • carbon steel pipe spool • stainless steel pipe spool

Source: Company data

A relatively diversified model capitalising on Saudi Vision 2030 plans

In line with Saudi Vision 2030, the company's diversified business model would allow it to address industry needs and capitalise on growing infrastructure development and industrial expansion plans. The Saudi government, through Vision 2030, aims to elevate the manufacturing sector to over 20% of GDP and increase renewable energy to 50% of the total energy mix.

GAS aims to position itself as a cornerstone of KSA's EPC projects through leveraging its comprehensive services, including engineering, technical support and project management to support large-scale infrastructure and energy initiatives. In addition, its manufacturing facility and exclusive trading relations with original equipment manufacturers (OEMs) enable the company to supply essential spare parts and advanced technology, solidifying its role in driving the Kingdom's industrial and infrastructure growth.

Strategic partnerships with Aramco and SABIC promote defensive revenue streams

With over c30% of the revenue stream tied up to its major clients (such as Aramco and SABIC and their affiliates), GAS benefits from its strategic relations with national champions through securing medium - and long-term agreements. These lead to defensive revenue streams because of the 80-85% recurring nature of revenues and with 76% of the technical services projects attributed to Aramco and SABIC since inception, as of today. In addition, the company secures long-term agreements with Aramco for its manufacturing segment, which provides more visibility to the company's earnings. These partnerships enhance GAS' market position, as it becomes a crucial contributor to KSA's industrialisation plan and propels it to more bidding opportunities.

Overall, we believe GAS has a considerable portion of recurring business (such as OEM equipment maintenance and replacement), which offers some defensive characteristics to revenues – management believes this represents c80-85% of revenues.

Figure 4: GAS provides technical services including EPC services for installing gas pipeline systems

Source: Company data

Figure 5: GAS offers precision-engineered pressure mechanical equipment for the oil and gas sector

Source: Company data

New internal investment cycle fuels further growth for GAS

GAS has a proven track record of development through its history, focusing on expanding ideas and products, and regularly analysing their respective benefit through their internal investment cycles (IIC). The company follows an average internal investment cycle of 4-6 years, with each cycle strategically and thoroughly vetted to align with GAS' long-term growth objectives. GAS has already started its new internal investment cycle (IIC#7) by the end of 2023 and anticipates seeing its positive impact by early 2025.

Technical services:

- **Project execution:** GAS is committed to ensure successful, safe and timely completion execution, adhering to the highest standards of quality and safety.
- **Service category upgrade:** The company also plans to upgrade its service category with Saudi Aramco from CAT II to CAT I, which will increase the bidding limit from SAR600mn to no bidding limit.
- **Engineering expansion:** GAS aims to expand its engineering capabilities to diversify its scope and meet the growing demands of its clients.

Trading segment:

- **Exclusive representation:** GAS aims to represent exclusively new companies in the environment and chemical sectors, strengthening market position and expanding its portfolio. In addition, the company is planning to add new sectors, such as instrumentation and mechanical.
- **Stocking strategy:** The company plans to construct a new warehouse for local stocking of spare parts and products, enabling fast customer support during emergencies, while boosting profitability.

Manufacturing segment:

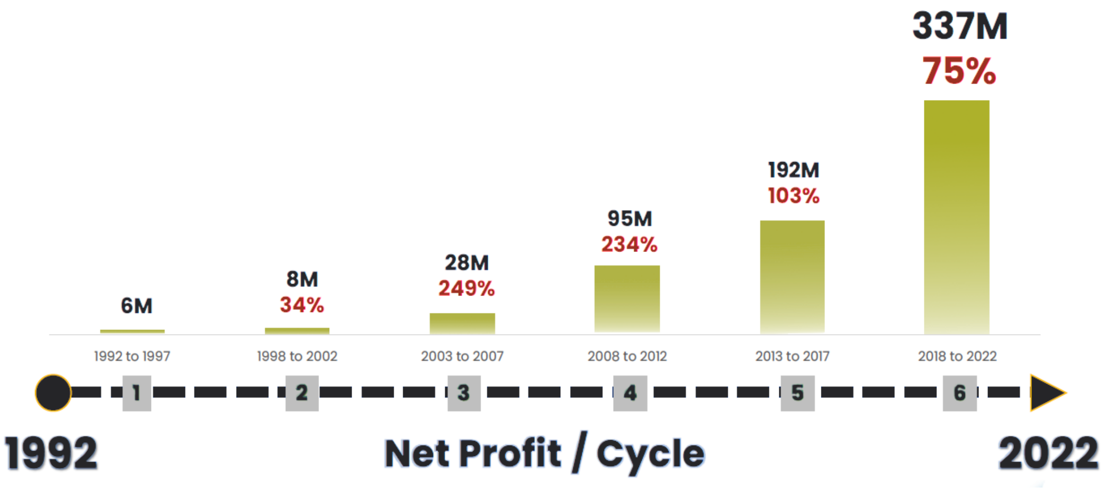
- **Long-term agreements execution:** GAS intends to execute two long-term agreements with Aramco, ensuring full compliance with all standards and requirements.
- **New manufacturing facility**: The company plans to build or acquire or expand new manufacturing facility to expand its product offerings while enhancing production capacity and efficiency.

Joint ventures:

- **Additional joint ventures:** GAS intends to add 1-2 strategic joint ventures that align with its company profile and the solutions it offers, reaching 9-10 JV partners. This expansion is expected to feed the company's bottom-line and ensure a consistent supply of electrical and industrial products.

Figure 6: GAS track record of internal investment cycles

Net profit/cycle in SAR

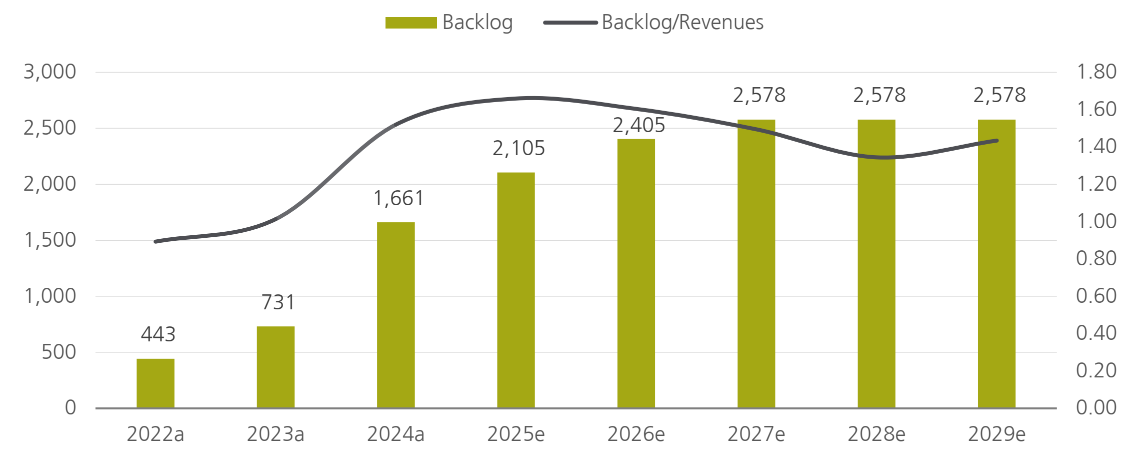


Source: Company data

Backlog expanding on the back of significant project awards

GAS' revenues grew by a CAGR of c36% between 2020 and 2024, driven by an expansion in the secured backlog, which now stands at an impressive SAR1.66bn (as of FY24). We think GAS is well-positioned to capitalise on growth in KSA's water and energy markets (particularly the master gas programme), through securing medium and long-term contracts with Aramco and SABIC. We estimate backlog to grow at CAGR of c7% from 2025-29, exceeding SAR2.5bn by 2029, with backlog execution typically spanning 1-3 years.

Figure 7: Backlog progression
LHS: In SARmn; RHS: In years



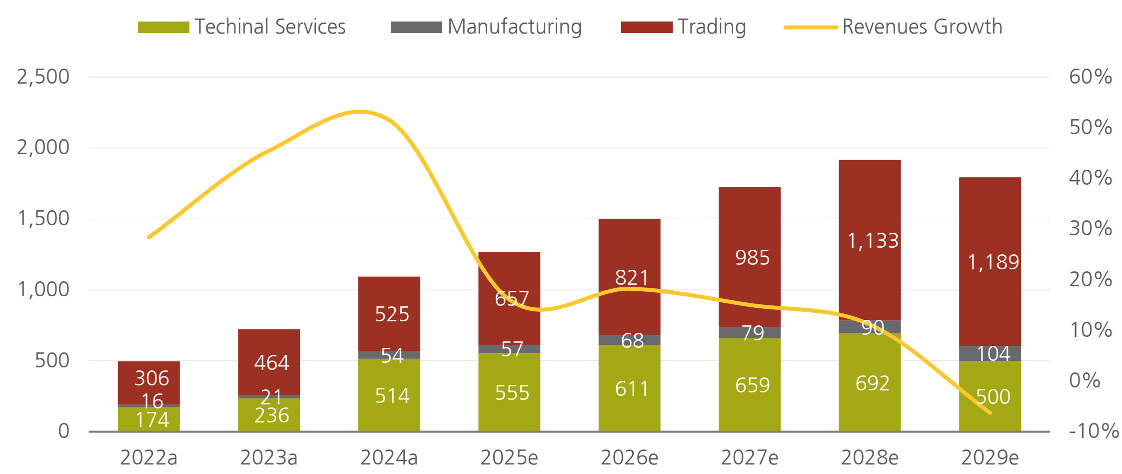
Source: Company data, EFG Hermes estimates

Trading solutions lead revenues' momentum

The trading segment continues to contribute the most to group revenues (+c55%, on average historically), with mostly c90% being recurring orders and long-term agreements. We expect this segment to continue leading the way for growth in the upcoming years, followed by technical services' executions (management believes minimum annual orders of SAR200mn will be secured in this division).

For manufacturing, we anticipate segment revenue growth to reach SAR104mn by 2029, driven by current two long-term agreements with Aramco, as the new greenfield facilities ramp up over time. In addition, there are plans to construct/acquire/expand a new facility that would support growth, diversify products and add value to the segment. Overall, we estimate consolidated revenues to reach cSAR1.8bn by 2029, with a c12% CAGR from 2025-29, supported by new awards to facilitate growth in KSA infrastructure markets.

Figure 8: Revenues progression by service
LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

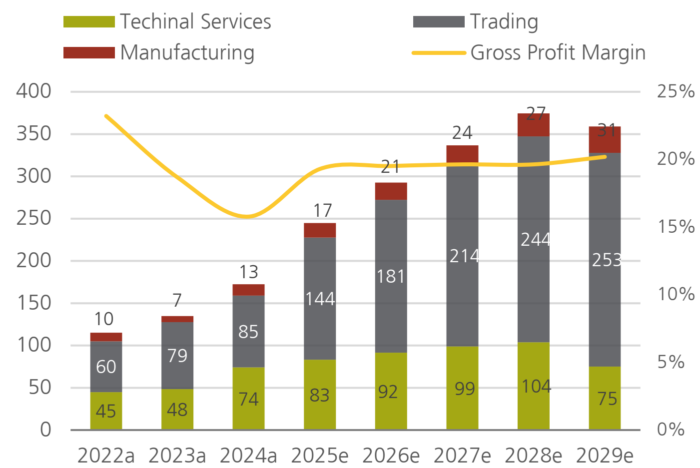
Profitability margins would enjoy healthy trends as GAS scales up

We expect GAS' gross margins to stabilise at c20-21% going forward, driven by the ongoing expansion in the trading segment and project completion in the technical service segment. Overall, we predict gross profit to grow at a c14% CAGR from 2025-29, reaching SAR363mn, supported by efficient cost controls through long-term vendor contracts and economies of scale.

Looking ahead, we expect the trading segment to drive EBITDA of SAR249mn by 2029, with an EBITDA margin of c14%, supported by the execution of the awarded backlog and complemented by cost savings from in-house engineering capabilities.

Figure 9: Gross profit by segment

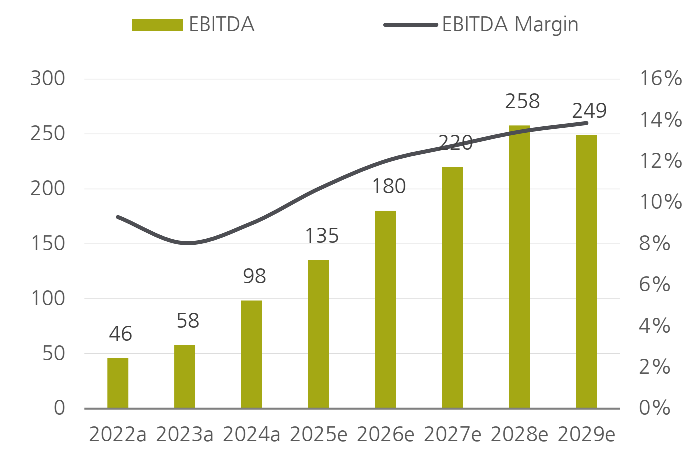
LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Figure 10: EBITDA progression

LHS: In SARmn; RHS: In %



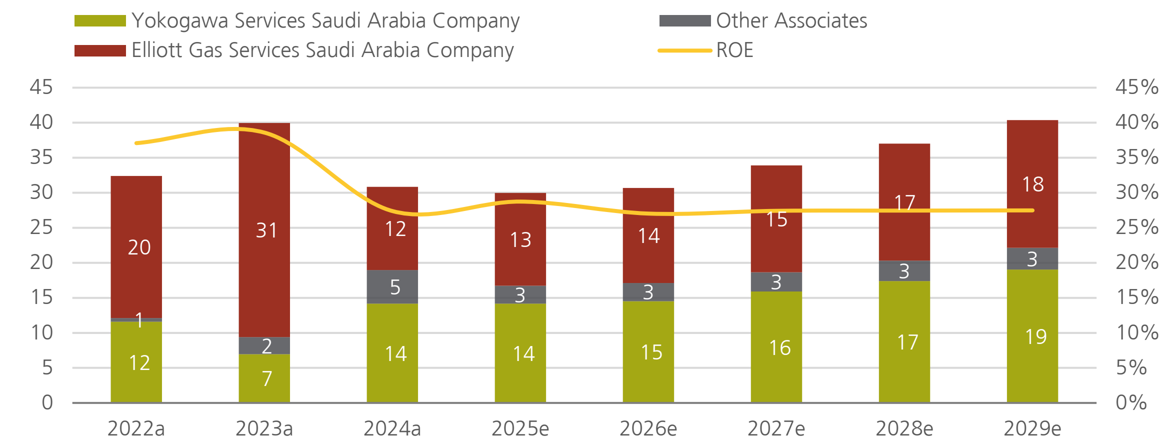
Source: Company data, EFG Hermes estimates

We see strategic JVs delivering a robust c27% ROE by 2029 onwards

GAS has formed multiple joint ventures with 8 partners, including major stakes in Yokogawa Services (33%) and Elliott Gas Services (45%), aiming to expand its offerings and market reach. These partnerships allowed GAS to deliver specialised solutions across its core business segments, while also ensuring a consistent and timely supply of the instrumental components. Looking ahead, management is looking to add 1-2 JVs, as per its internal investment cycle 7, to align with the expanding solutions that the company offers. We assume an average ROE of c27% by 2029 from the JVs, contributing SAR40mn to earnings (+15% of earnings on average across our forecasts).

Figure 11: Investment income from joint ventures

LHS: In SARmn; RHS: In %



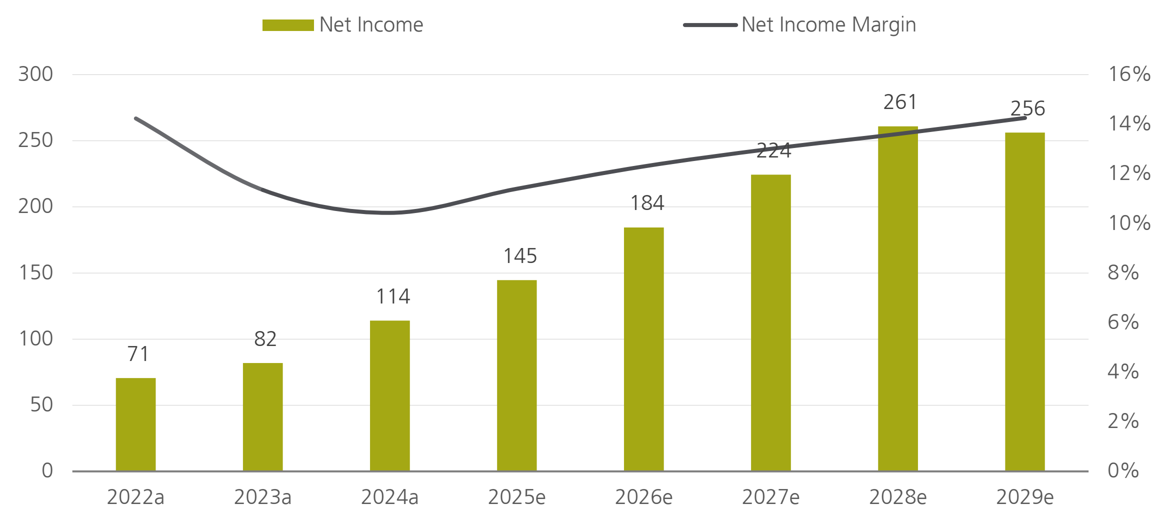
Source: Company data, EFG Hermes estimates

Robust earnings growth will be driven by existing backlog execution and further awards

From 2025 onwards, we project earnings to grow at a CAGR of 21% through 2029, driven by execution of the SAR1.66bn backlog and EBITDA margin improving to reach c14% gradually. We also believe that JV income will play a major role in driving EPS growth and delivering a net margin of c14% by 2029.

Figure 12: Net income progression

LHS: In SARmn; RHS: In %



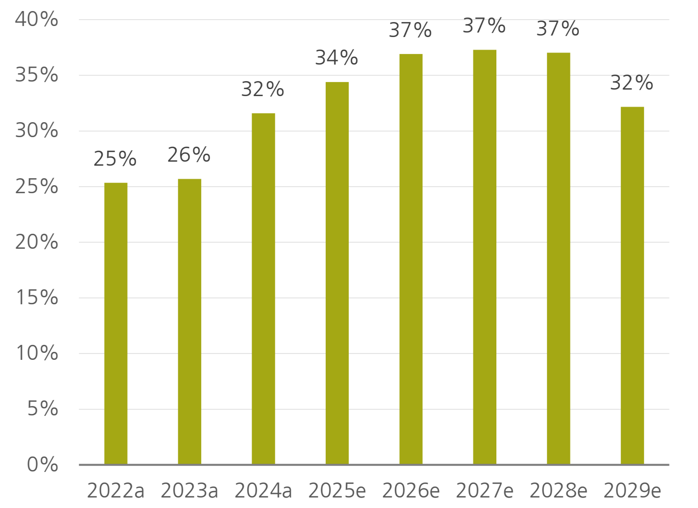
Source: Company data, EFG Hermes estimates

Positive earnings trajectory with a healthy return profile

GAS has maintained a strong return profile with an average ROAE of c28% and ROAIC of c21% between 2022 and 2024, attributed to steady earnings growth and backlog awards. By 2029, we expect ROAIC to reach to c34%, from the successful backlog execution and new long-term contracts, while ROAE is projected to reach c32% because of a higher investment income from JVs.

Figure 13: Sustainable ROAEs due to consistent investment income

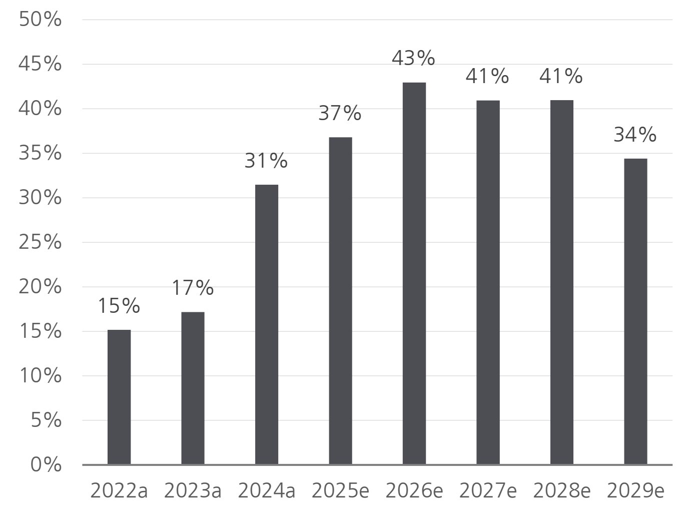
In %



Source: Company data, EFG Hermes estimates

Figure 14: Execution of backlog enhances ROICs going forward

In %



Source: Company data, EFG Hermes estimates

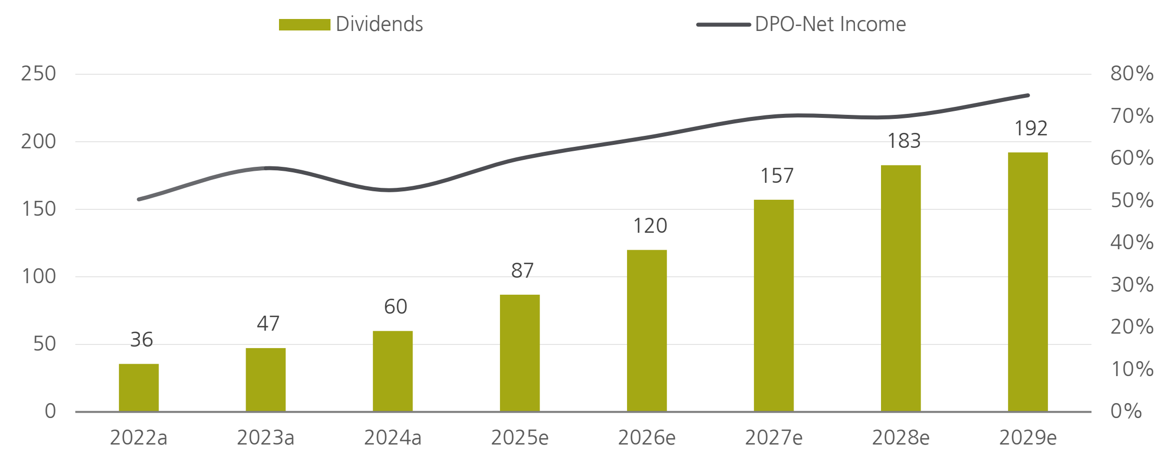
Solid dividends growth outlook

Since its listing, GAS has demonstrated commitment to returning value to its shareholders, maintaining an average dividend payout ratio of around 50%+, supported by growth across all segments. In 2024, the company distributed interim dividends of cSAR60mn, implying a DPO of c53%. Looking ahead, we anticipate GAS to increase its payout ratio because of the increase in JV income with c75% of JV income likely to be converted into cash dividends and up-streamed to GAS.

We estimate GAS will gradually increase its DPO to c75% by 2029, and with it drive a DPS CAGR of c30% (2025-29e).

Figure 15: Dividend progression

LHS: In SARmn; RHS: In %



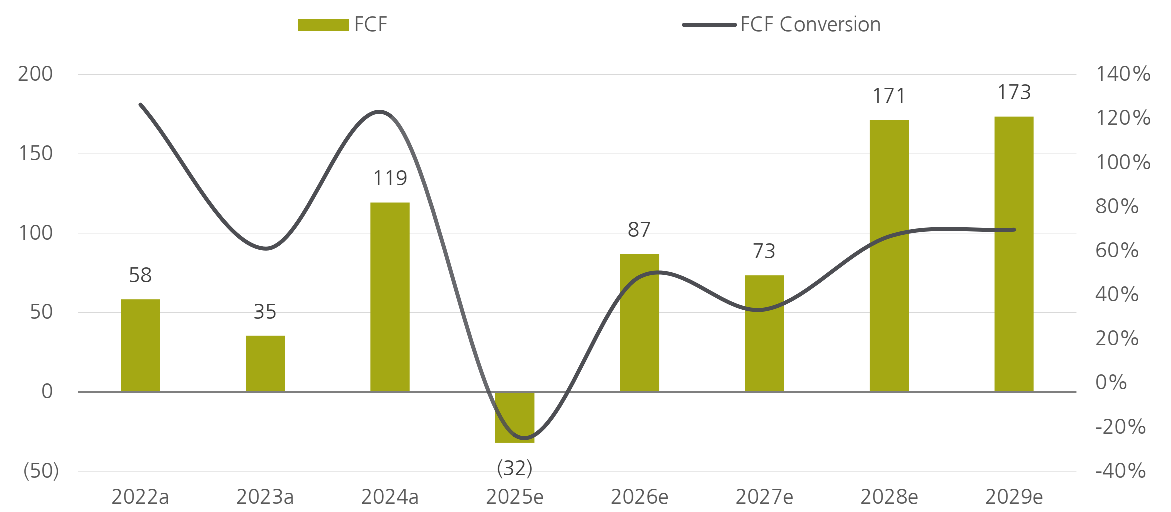
Source: Company data, EFG Hermes estimates

Strong FCFF recovery with a conversion rate of +70% by 2029

GAS saw strong recovery in FCF in 2022-24 because it implemented tighter controls on working capital days, even despite incurring some capex related to its new tower's construction. Looking ahead, GAS' FCF is poised to see its FCFFs dip during 2025 on the back of additional capex related to its tower construction. However, from 2026 onwards, FCF is anticipated to grow steadily, reaching SAR173mn by 2029, with FCF conversion rates exceeding 70% from 2029, reflecting strategic focus on capitalising on a growing backlog and an efficient control on working capital days.

Figure 16: FCFF Progression

LHS in SARmn; RHS in %



Source: Company data, EFG Hermes estimates

Investment themes and risks

Figure 17: Key investment themes and risks

Investment themes	Explanation
Cash flow visibility	GAS benefits from a high cash flow visibility, with about 80-85% of its revenues secured by long-term contracts with major clients, such as Aramco and SABIC. This strong contract base and awards' execution provide a predictable revenue stream with 65% and 33% of the total revenues secured in 2025 and 2026, respectively, enhancing cash flow visibility.
Underserved KSA market	The company is strategically set to benefit from KSA's infrastructure development, aligning with Saudi Arabia's Vision 2030. With its diversified services in engineering, technical support and project management, along with manufacturing capabilities, GAS is set to play a key role in supporting the Kingdom's infrastructure and energy expansion.
Product/service diversification	Poised for growth through its diverse range of products and services, GAS offers comprehensive solutions across engineering, technical support, project management and manufacturing, along with exclusive OEM partnerships. The company can effectively address varied market needs and capitalise on emerging opportunities, enhancing its resilience and growth potential across different sectors.
Favourable OEM partnerships and joint ventures	GAS' exclusive relations with 27 OEMs provide access to advanced technology and essential spare parts and contributes extensively to the bottom-line, while its eight joint ventures with leading firms expand its service capabilities and market reach. This dual approach strengthens GAS' position in key sectors and supports its comprehensive services through a consistent supply of industrial products.
Investment risks	**Explanation**
Concentration risks	GAS faces concentration risk from its reliance on major clients, including Saudi Aramco and SABIC, which together account for approximately 30% of total revenues and 76% of the technical backlog. This reliance on long-term manufacturing agreements and value-added spare parts exposes the company to potential revenue instability if market conditions shift.
Contract cancellation	The company encounters contract cancellation risk, which could impact its revenue and project stability. The risk arises from the possibility that major clients might cancel or delay contracts, especially that 80-85% of the company's earning rely on recurring orders. Cancellations could, hence, lead to a loss of anticipated revenue and disrupt operational planning.
Saudisation	GAS faces Saudisation risk due to the regulatory requirement to increase the proportion of Saudi nationals in the workforce, as currently only 21% of GAS' employees are Saudi.
Margin erosion	GAS operates through diversified segments, which can increase the risk of margin erosion. This may occur due to rising material costs or declines in revenue streams in its major contracting segments, such as trading and technical services (contributing with more than 96% to the company's revenues).

Source: Company data, EFG Hermes estimates

2. Valuation

Initiate on Gas Arabian Services with a TP of SAR18.5 and a Buy rating

We value Gas Arabian Services (GAS) using a discounted cash flow (DCF) methodology, arriving at our TP of SAR18.5. We utilise a WACC of 10% for GAS, the main assumptions being: i) risk-free rate of 4%; ii) equity risk premium of 6%; and iii) terminal growth rate of 3%. The main assumptions in our valuation include:

- Terminal backlog awards of cSAR1.5bn
- Terminal gross margin reaching c21%
- Terminal EBITDA margins rising to c15%

Figure 18: DCF summary

In SARmn, unless otherwise stated

	2025	2026	2027	2028	2029	2030	2031	2032	2033
NOPAT	135	176	215	252	246	251	256	258	262
D&A	15	16	16	16	16	16	16	16	17
COPAT	151	192	231	268	262	267	272	274	279
Change in WC	(115)	(60)	(107)	(40)	(35)	6	24	0	(1)
Capex	(38)	(15)	(17)	(19)	(13)	(13)	(14)	(22)	(22)
FCFF	(2)	117	107	208	214	260	282	252	257
PV of FCF (2025-33)	639								
Terminal value	155								
Enterprise value	2,749								
Net debt	(173)								
Equity value	2,922								
TP	18.50								

Source: EFG Hermes estimates

Figure 19: 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%
Terminal growth rate	1.0%	24.20	20.70	18.00	15.90	14.30	12.90	11.80
	2.0%	27.50	22.90	19.50	17.00	15.10	13.60	12.30
	3.0%	32.50	26.00	21.60	18.50	16.20	14.40	12.90
	4.0%	40.80	30.60	24.50	20.40	17.50	15.30	13.60
	5.0%	57.30	38.30	28.80	23.10	19.30	16.60	14.60

Source: EFG Hermes estimates

Bull case: SAR1.2bn more executions (2025-33); 170bps higher sustainable margins

Our bull case runs c8% more revenues incremental to our base case between 2025-33e. This analysis assumes the company's gross margin will be c200bps higher in the terminal year vs our base case estimate on the back of more awards received and a healthier margin due to economies of scale. This scenario yields an equity value of cSAR3.6bn (or SAR23.0 – c24% ahead of our base case TP).

Figure 20: DCF valuation summary for the bull case – TP of SAR23.0

In SARmn, unless otherwise stated

	2025	2026	2027	2028	2029	2030	2031	2032	2033
NOPAT	165	209	249	295	296	313	324	326	330
D&A	15	16	16	16	16	16	16	16	17
COPAT	180	225	266	311	313	330	340	342	347
Change in WC	(154)	(64)	(77)	(65)	34	(15)	18	0	(1)
Capex	(39)	(15)	(18)	(20)	(14)	(15)	(16)	(16)	(16)
FCFF	(13)	146	171	226	332	300	343	326	331
PV of FCF (2025-33)	804								
Terminal value	184								
Enterprise value	3,460								
Net debt	(173)								
Equity value	3,632								
TP	23.00								

Source: EFG Hermes estimates

Figure 21: Bull case TP sensitivity to cost of equity and terminal growth rate

In SAR

		Cost of equity						
		7.0%	8.0%	9.0%	10.0%	11.0%	12.0%	13.0%
Terminal growth rate	1.0%	30.40	25.80	22.40	19.70	17.60	15.90	14.50
	2.0%	34.60	28.60	24.30	21.20	18.70	16.70	15.10
	3.0%	40.90	32.50	27.00	23.00	20.00	17.70	15.90
	4.0%	51.40	38.40	30.60	25.40	21.70	19.00	16.80
	5.0%	72.40	48.20	36.10	28.80	24.00	20.60	18.00

Source: EFG Hermes estimates

Figure 22: Bull case operating summary

In SARmn, unless otherwise stated

Operating Summary	2022a	2023a	2024a	2025e	2026e	2027e	2028e	2029e
Backlog - beginning balance	465	443	731	1661	2447	2909	3264	3462
Awards	474	1010	2023	2095	2000	2132	2180	1895
Awards/revenues	**0.96**	**1.40**	**1.85**	**1.60**	**1.30**	**1.20**	**1.10**	**1.00**
Execution	(496)	(722)	(1,093)	(1,310)	(1,539)	(1,777)	(1,981)	(1,895)
Backlog - ending balance	443	731	1,661	2,447	2,909	3,264	3,462	3,462
Backlog to revenue	**0.89**	**1.01**	**1.52**	**1.87**	**1.89**	**1.84**	**1.75**	**1.83**
Financial summary								
Revenues	496	722	1,093	1,310	1,539	1,777	1,981	1,895
Gross profit	115	135	172	281	328	380	423	415
Gross profit margin	23%	19%	16%	21%	21%	21%	21%	22%
EBITDA	46	58	98	168	216	257	305	304
EBITDA margin	9%	8%	9%	13%	14%	14%	15%	16%
Net income	71	82	114	174	217	259	305	307
Net income margin	14%	11%	10%	13%	14%	15%	15%	16%
Returns								
ROAE	25%	26%	32%	41%	42%	40%	40%	35%
ROAIC	15%	17%	31%	45%	48%	45%	46%	42%

Source: Company data, EFG Hermes estimates

Bear case: cSAR1.1bn lower awards (2025-33); 220bps lower margins

We also run a bear case, in which we assume a decline on the annual executions by 8% lower than our base case, while the terminal year's gross margin is 220bps lower at 18.5%. This scenario yields an equity value of cSAR2.3bn (or SAR14.5/share – 22% lower than our base case).

Figure 23: DCF valuation summary for the bear case – TP of SAR14.50

In SARmn, unless otherwise stated

	2025	2026	2027	2028	2029	2030	2031	2032	2033
NOPAT	124	142	160	180	188	189	190	193	201
D&A	15	16	16	16	16	16	16	15	16
COPAT	139	158	176	196	204	205	206	208	217
Change in WC	(135)	(58)	(66)	(46)	38	13	29	0	(1)
Capex	(38)	(15)	(17)	(18)	(13)	(12)	(12)	(12)	(12)
FCFF	(34)	85	94	131	229	205	223	196	204
PV of FCF (2025-33)	481								
Terminal value	120								
Enterprise value	2,123								
Net debt	(173)								
Equity value	2,296								
TP	14.50								

Source: EFG Hermes estimates

Figure 24: Bear case TP sensitivity to CoE and terminal growth rates

In SAR

		Cost of equity						
		7.0%	8.0%	9.0%	10.0%	11.0%	12.0%	13.0%
Terminal growth rate	1.0%	19.10	16.30	14.20	12.50	11.20	10.10	9.30
	2.0%	21.70	18.00	15.40	13.40	11.90	10.60	9.70
	3.0%	25.60	20.40	17.00	14.50	12.70	11.30	10.10
	4.0%	32.10	24.10	19.20	16.00	13.70	12.00	10.70
	5.0%	45.00	30.10	22.60	18.10	15.20	13.00	11.40

Source: EFG Hermes estimates

Figure 25: Bear case operating summary

In SARmn, unless otherwise stated

Operating Summary	2022a	2023a	2024a	2025e	2026e	2027e	2028e	2029e
Backlog - beginning balance	465	443	731	1661	2111	2405	2572	2572
Awards	474	1010	2023	1732	1770	1828	1788	1674
Awards/revenues	0.96	1.40	1.85	1.35	1.20	1.10	1.00	1.00
Execution	(496)	(722)	(1,093)	(1,283)	(1,475)	(1,662)	(1,788)	(1,674)
Backlog - ending balance	443	731	1,661	2,111	2,405	2,572	2,572	2,572
Backlog to revenue	0.89	1.01	1.52	1.64	1.63	1.55	1.44	1.54
Financial summary								
Revenues	496	722	1,093	1,283	1,475	1,662	1,788	1,674
Gross profit	115	135	172	221	257	290	311	298
Gross profit margin	23%	19%	16%	17%	17%	17%	17%	18%
EBITDA	46	58	98	123	143	160	179	185
EBITDA margin	9%	8%	9%	10%	10%	10%	10%	11%
Net income	71	82	114	133	150	168	188	196
Net income margin	14%	11%	10%	10%	10%	10%	10%	12%
Returns								
ROAE	25%	26%	32%	32%	31%	30%	29%	27%
ROAIC	15%	17%	31%	32%	32%	28%	28%	27%

Source: Company data, EFG Hermes estimates

The three scenarios – Tilted towards upside outcomes, in our view

Considering the high number of projects being developed across KSA – in line with the Saudi Vision 2030 – we think GAS' chances are more skewed to a bull case scenario – rather than the downside of the bear case.

We have already reflected in our base case the following conservative assumptions:

I. Peak awards taking place in 2028, with executions reaching cSAR1.9bn, with opportunities to expand from that base.
II. Gross margin maintained at c20-21%, while EBITDA margin grows higher than 2024 margins, with more executions and cost efficiencies.

Overall, we think that the contracted growth and pipeline of expansions in the coming few years make GAS Arabian a compelling equity story that trades at attractive multiples and yields, on current levels.

Figure 26: How multiples look across our three scenarios

Figures in SARmn, margins in %, multiples in x

	Bear	Base	Bull
Enterprise value	2,123	2,749	3,625
Equity value	2,296	2,922	3,798
Revenues CAGR (25-29)	7%	12%	15%
Average gross profit margin	17%	19%	21%
P/E			
2024	20.1x	25.6x	33.3x
2025	17.2x	20.2x	21.3x
2026	15.3x	15.8x	16.6x
2027	13.7x	13.0x	14.4x
2028	12.2x	11.2x	12.6x
Adjusted EV/EBITDA			
2024	16.5x	21.8x	28.2x
2025	13.5x	16.6x	17.6x
2026	12.0x	13.0x	13.8x
2027	10.8x	10.8x	12.0x
2028	9.7x	9.3x	10.6x

Source: EFG Hermes estimates

Peer analysis

Figure 27: Peer Analysis

Multiples in X, Yields in %

	P/E			P/B			EV/EBITDA			Dividend Yield			EPS CAGR 2025-27
Company Name	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	
Global Contractual Peers													
Yokogawa Electric Corp	14.6	13.7	12.5	1.6	1.5	N/A	6.6	6.2	N/A	2.0%	2.0%	2.1%	7%
Skf India Ltd	30.4	26.1	22.2	5.8	5.0	4.7	22.5	19.3	16.2	0.9%	0.9%	1.1%	16%
Vector Ltd	15.7	14.7	12.6	5.8	5.0	4.7	22.5	19.3	16.2	0.9%	0.9%	1.1%	16%
Teledyne Technologies Inc	21.6	19.7	18.5	2.1	1.9	1.7	16.7	15.4	14.4	1.1%	1.1%	1.3%	8%
Ratnamani Metals & Tubes Ltd	28.8	23.8	21.0	4.6	4.0	3.5	19.7	16.5	14.5	0.6%	0.6%	0.7%	18%
Armstrong World Industries	21.1	18.8	16.6	6.9	5.8	5.8	12.6	11.7	11.0	0.8%	0.8%	0.9%	9%
Nov Inc	9.4	8.1	7.3	0.7	0.7	0.6	5.2	5.0	4.8	3.4%	3.4%	2.7%	10%
Dnow Inc	18.2	16.2	14.6	N/A	N/A	N/A	8.3	7.7	7.6	0.0%	0.0%	0.0%	12%
Contractual Peers Average	**20.0**	**17.7**	**15.7**	**3.9**	**3.4**	**3.5**	**14.2**	**12.6**	**12.1**	**1.2%**	**1.2%**	**1.2%**	**12%**
Contractual Median	**19.7**	**17.5**	**15.6**	**4.6**	**4.0**	**4.1**	**14.6**	**13.5**	**14.4**	**0.9%**	**0.9%**	**1.1%**	**11%**
Global Construction Peers													
Ferrovial Se	37.9	38.6	33.8	5.4	4.6	4.1	26.2	24.0	21.9	1.9%	2.0%	2.1%	3%
Sacyr Sa	15.1	12.4	10.6	2.2	1.9	1.9	7.4	7.0	6.9	3.8%	3.9%	4.4%	17%
TechnipFMC Plc	14.0	11.5	10.2	3.5	2.9	2.4	6.9	6.2	5.8	0.7%	0.8%	1.2%	12%
Jgc Holdings Corp	10.9	9.8	8.9	0.7	0.7	0.7	N/A	N/A	N/A	3.7%	3.8%	3.9%	10%
Metallurgical Corp Chin-A	8.0	7.5	8.1	0.4	0.4	0.4	12.9	12.0	N/A	2.5%	2.8%	2.4%	-1%
Vinci Sa	14.2	12.7	11.7	2.2	2.0	1.9	7.3	7.0	6.7	4.0%	4.4%	4.8%	10%
Bouygues Sa	12.5	10.7	9.4	1.1	1.0	1.0	5.1	4.9	4.7	5.5%	5.9%	6.1%	16%
Acs Actividades Cons Y Serv	17.8	15.3	14.2	2.8	2.6	2.4	5.9	5.5	5.1	3.9%	4.1%	4.2%	2%
Hochtief Ag	17.7	15.8	14.5	9.9	7.7	6.2	6.7	6.3	6.1	3.4%	3.8%	4.1%	10%
Eiffage	11.2	10.1	9.3	1.6	1.5	1.4	5.8	5.6	5.4	3.9%	4.4%	4.8%	11%
Hyundai Engineering & Const	7.7	6.1	5.9	0.5	0.5	0.5	3.6	3.1	2.9	1.7%	2.0%	2.2%	14%
Fluor Corp	14.0	12.4	10.8	1.5	1.4	1.2	6.6	5.9	5.2	0.0%	0.5%	1.4%	0%
Construction peers average	**15.1**	**13.6**	**12.3**	**2.6**	**2.3**	**2.0**	**8.6**	**8.0**	**7.1**	**2.9%**	**3.2%**	**3.5%**	**9%**
Construction median	**14.0**	**11.9**	**10.4**	**1.9**	**1.7**	**1.6**	**6.7**	**6.2**	**5.6**	**3.6%**	**3.8%**	**4.0%**	**10%**
Total average	**17.0**	**15.2**	**13.6**	**3.1**	**2.7**	**2.5**	**11.0**	**9.9**	**9.1**	**2.2%**	**2.4%**	**2.6%**	**10%**
Total median	**14.8**	**13.2**	**12.1**	**2.2**	**1.9**	**1.9**	**7.3**	**7.0**	**6.7**	**1.9%**	**2.0%**	**2.2%**	**10%**
GAS (market price)	**17.1**	**13.4**	**11.0**	**5.0**	**4.1**	**3.5**	**13.9**	**10.9**	**9.1**	**3.5%**	**4.9%**	**6.4%**	**25%**

Source: Bloomberg, EFG Hermes estimates

3. Financial analysis

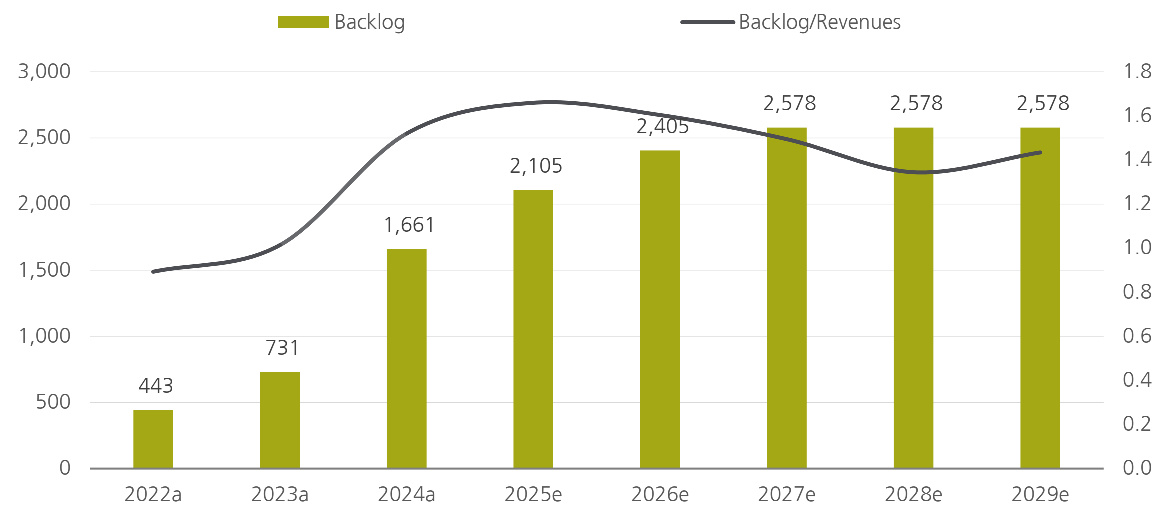
Backlog has been expanding on the back of significant project awards

GAS' revenue grew +45% between 2022 and 2024, largely driven by awards' expansion leading to a backlog of SAR1.66bn in 2024. The company's backlog is secured by medium and long-term contracts from major clients, as Saudi Aramco and SABIC, with execution ranging within 1-3 years.

Given the expected growth in KSA's water and energy markets (see section 7), there should be ample room for GAS to capitalise on new emerging opportunities. Looking ahead, we estimate backlog to grow by c7% CAGR (2025-29e), crossing SAR2.5bn by 2029, feeding an expansion in top-line performance.

Figure 28: Backlog progression

LHS: In SARmn; RHS: In x



Source: Company data, EFG Hermes estimates

Figure 29: New awards fuel backlog expansion outlook

Duration in months; contract value in SARmn

Client	Announcement	Duration	Impact	Value	Award date
Saudi Aramco	Master GAS expansion in East and Qassim clusters	30	2024-26	416	May-24
Saudi Aramco	Master GAS expansion from SHEDGUM to EWPS1	40	2024-27	345	May-24
SPPC	Taiba gas pipeline	22	2024-25	256	Mar-24
SPPC	Qassim gas pipeline	22	2024-25	342	Mar-24
Yamama Cement	Construction and metering skids of gas pipelines for Yamama Cement's new factory	-	-	35	Feb-24
Advanced Petrochemical	Contract sign-off with Advanced Petrochemical	14	2023-24	51	Dec-23
Maaden	Receipt of a purchase order from Maaden	21	2024-25	39	Jun-23
Nesma & Partners	Receipt of purchase order from Nesma & Partners	12	2024	20	Feb-23
JGC Arabia	Saudi Aramco Zuluf onshore oil facilities	24	2023-24	140	Jan-23
Advanced Polyolefins	Contract sign-off with Advanced Polyolefins	16	2023	108	Dec-22
SABIC	Purchase order to Petrokemya plant	12	2023	24	Aug-22
Royal Commission for Jubail and Yanbu	Construction of Plascim gas network	36	2023	75	Mar-22

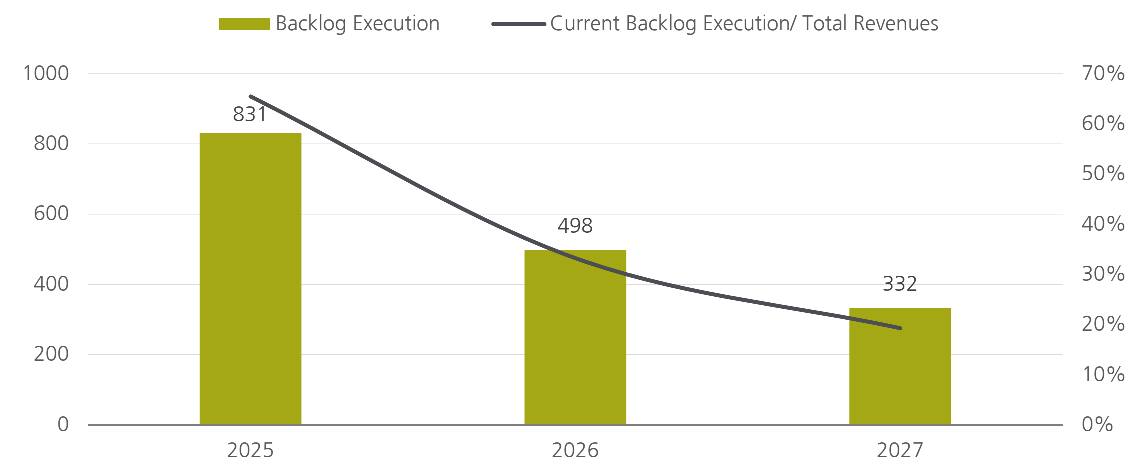
Source: Company data

Locked-in revenue streams as GAS executes its SAR1.66bn backlog

GAS expanded its secured backlog to SAR1.66bn as of FY24, driven by the elevated demand and the company's ability to capitalise on the Kingdom's growth projects, especially that most contracts are secured by Aramco and SABIC. Based on signed contracts, GAS is set to execute cSAR830-900mn from its backlog in 2025e, followed by cSAR498mn in 2026e, contributing 65% and 33% of the respective projected revenues for the periods. This contracted nature of the contracts provides a high degree of certainty in the ST stream of revenues, while additional contributions from other business segments and future awards unlock more upside streams.

Figure 30: Majority of revenues are secured through backlog execution

LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Figure 31: Technical segment contributes c78% of FY24 backlog

In SARmn

Backlog	FY24
Technical Services	1,306
Trading Segment	314
Manufacturing	41

Source: Company data

Figure 32: Top-tier clients have been consistently awarding GAS with technical service contracts - historical contract awards by client

In x

Clients	Total projects awarded - technical services
Aramco, Petro Rabigh, SASREF, Yasref	35
SABIC	16
Sipchem	5
Advanced	1
Royal Commission for Jubail & Yanbu	1
Private and public sector	9
Total projects	67

Source: Company data

Trading solutions accounts for c58% of revenues on average over our forecasts..

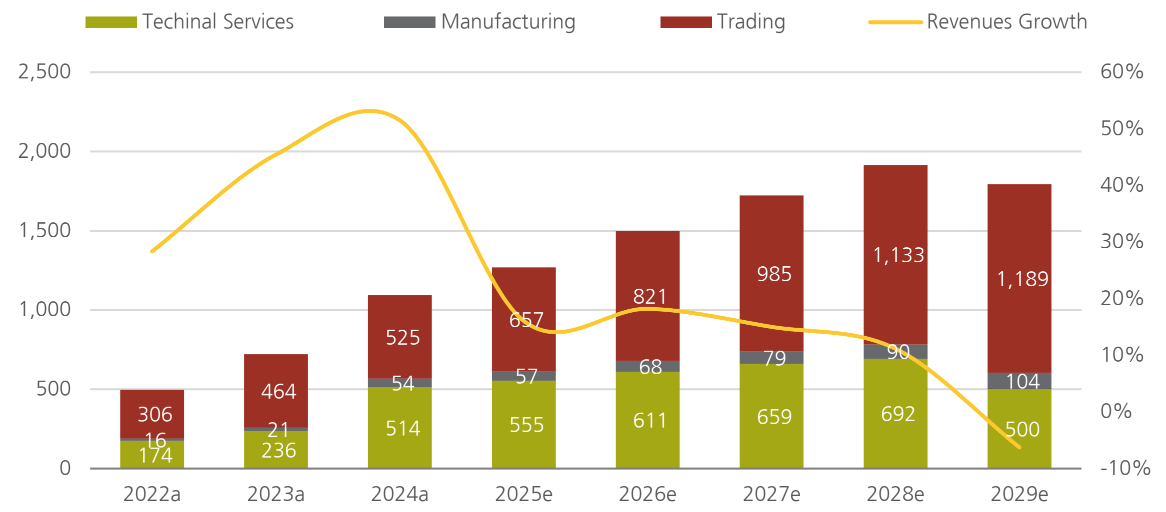
We anticipate trading segment to be the primary catalyst for revenue growth, as trading solutions contributes 48% of the total revenues (as of FY24). In 2024, the company succeeded in expanding its client base by leveraging multiple shutdowns and broadening its product offerings, which has strengthened revenues momentum considerably. Looking forward, we expect trading revenues to exceed SAR1bn, which should be supported by the 90% recurring orders nature of the trading business and agreements with major clients as Aramco and SABIC.

This revenue growth momentum will be further reinforced by the technical services segment, which contributes 47% of revenues and has seen rapid growth, as the business has secured 67 projects since inception until FY24 from top-tier KSA clients (Aramco and SABIC being the most prominent). Management believes the technical segment will have a guaranteed minimum of SAR200mn worth of annual orders, driven by recurring contracts from various clients. Overall, on an LT basis (beyond 2028), we cut our revenue estimates for the technical services division as we think the Aramco capex cycle will normalise lower and so would GAS Arabian's EPC executions.

For the manufacturing segment, we anticipate revenues to grow to SAR104mn by 2029 from securing two long-term agreements with Aramco and ramping up of the greenfield plant's capacity. We also see potential upside from building/acquiring/expanding new manufacturing facility, which would focus on product diversification, as management is actively seeking to capture growth opportunities. Overall, we estimate that the consolidated revenues to reach cSAR1.8bn by 2029, with a CAGR of c12% from 2025-29 on the execution of the new awarded contracts and growth in KSA infrastructure markets.

Figure 33: Revenue progression by service

LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Raw materials' hedging strategies enhance efficient cost control

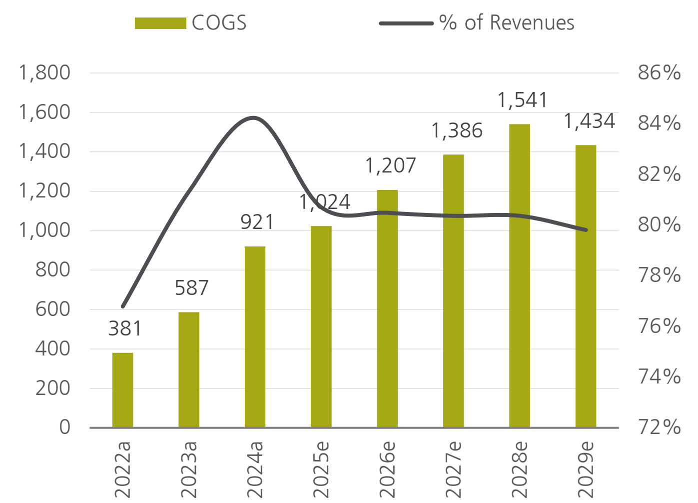
Despite the immense scale of business growth, GAS maintained robust opex efficiency amidst raw material price volatility - even with raw material comprising 46% of the total COGS. As per our discussions with management, GAS employs various hedging mechanism against fluctuations of prices to ensure costs efficiency, including:

I. Long-term spare part supply agreements with the customers;
II. stocking strategy, as the company plans to construct a new warehouse to stock spare parts in advance; and
III. utilising its JV partners and OEM relations to ensure a stable supply of various components with favourable prices.

In addition, GAS aims to establish an in-house engineering hub instead of sub-contracting engineers, which should drive further cost efficiency while expanding its capabilities in bidding into new projects. Thus, we project COGS to be maintained at c80% of total revenues over our forecasted horizon, owing to the sizable increase in the backlog while maintaining a stable margin on the forward outlook.

Figure 34: COGS progression

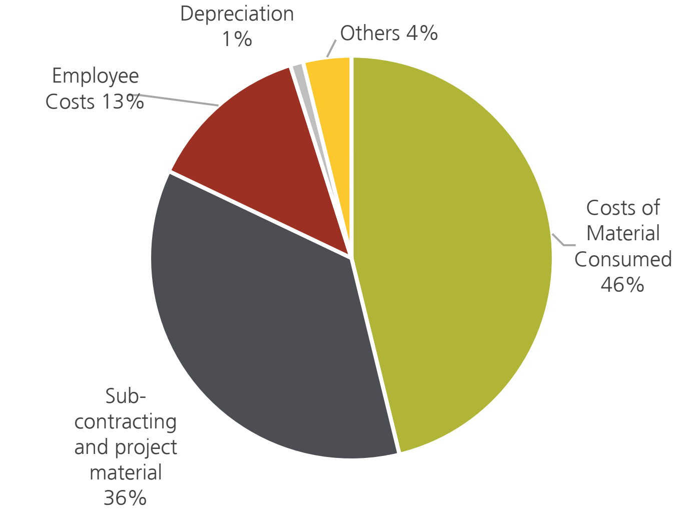
LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Figure 35: 2024's COGS breakdown

In %



Source: Company data

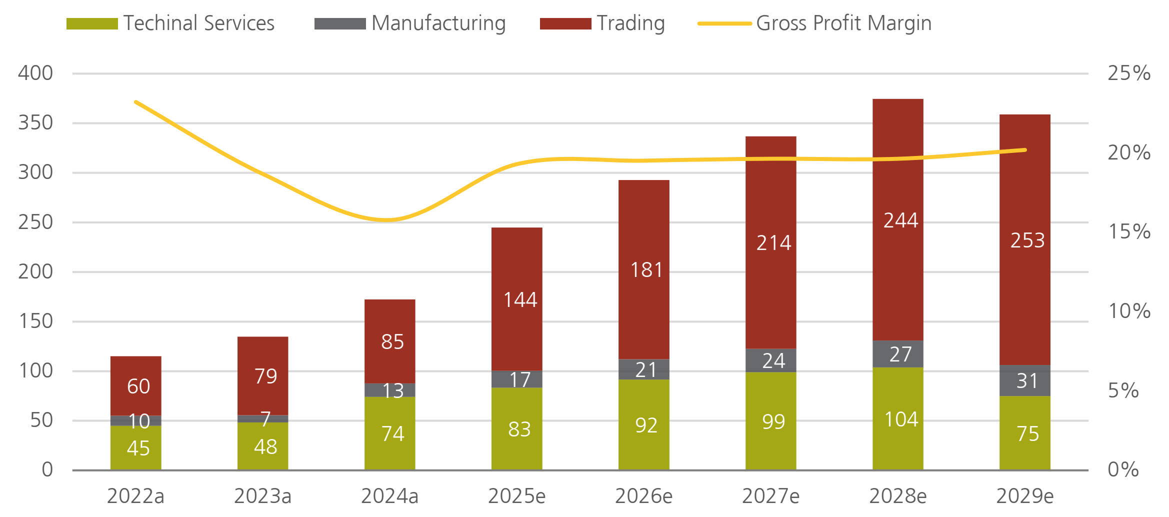
Gross margin at c20% over our forecast horizon

We expect GAS to maintain its gross margin at c20-21%, driven by the ongoing expansion in the trading segment supported by backlog execution, contributing +60% to the total gross profit on average over our forecasts. In our view, this can be further accelerated by new technical service project wins, leading to an average contribution of +20% of the total gross profit, while implying a margin of 15%.

Despite contributing only 5% to the gross profit figure in 2024, the manufacturing segment has achieved an impressive margin of c25% in 2024, which we believe will be maintained going forward. Thus, we predict total gross profit to grow at a CAGR of 14% between 2025-29 reaching SAR363mn, supported by efficient cost control through the long-term contracts with the vendors and economies of scale.

Figure 36: Gross profit progression by service

LHS: In SARmn; RHS: In %



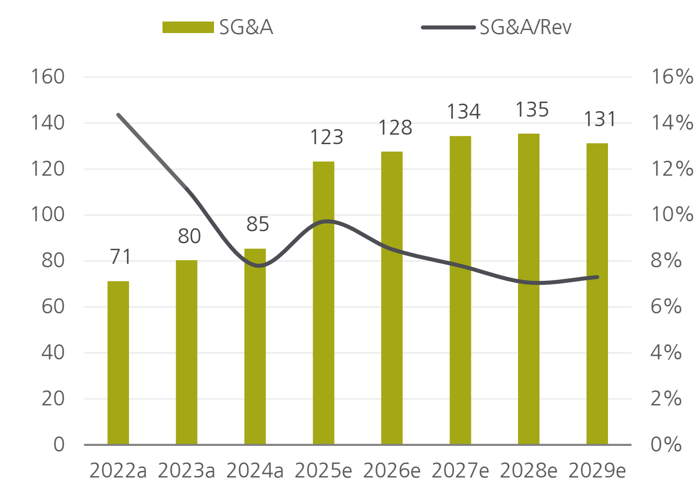
Source: Company data, EFG Hermes estimates

Declining trend for SG&A costs as GAS expands its operations

With the influx of new awards and significant infrastructure developments in KSA, in line with Saudi Vision 2030, c66% of SG&A costs are attributed to employee expenses, as GAS has 2,000+ employees to streamline administrative functions. We expect the SG&A/revenue ratio to stabilise at c8% by 2029, driven by revenue base scaling up and investments in infrastructure and technology.

Figure 37: SG&A progression

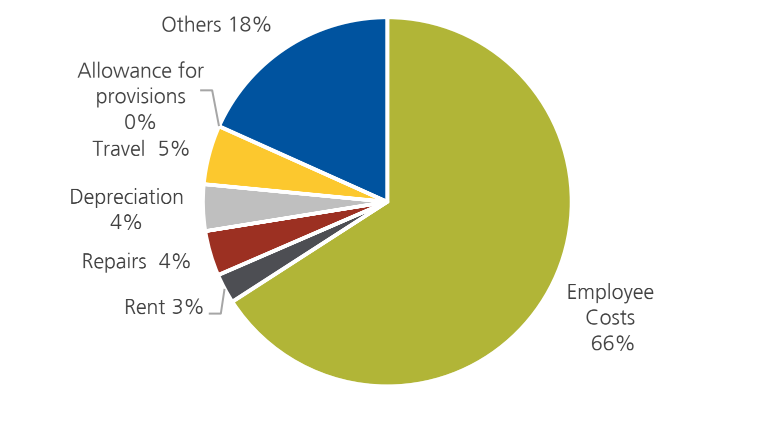
LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Figure 38: SG&A breakdown – 2024

In %



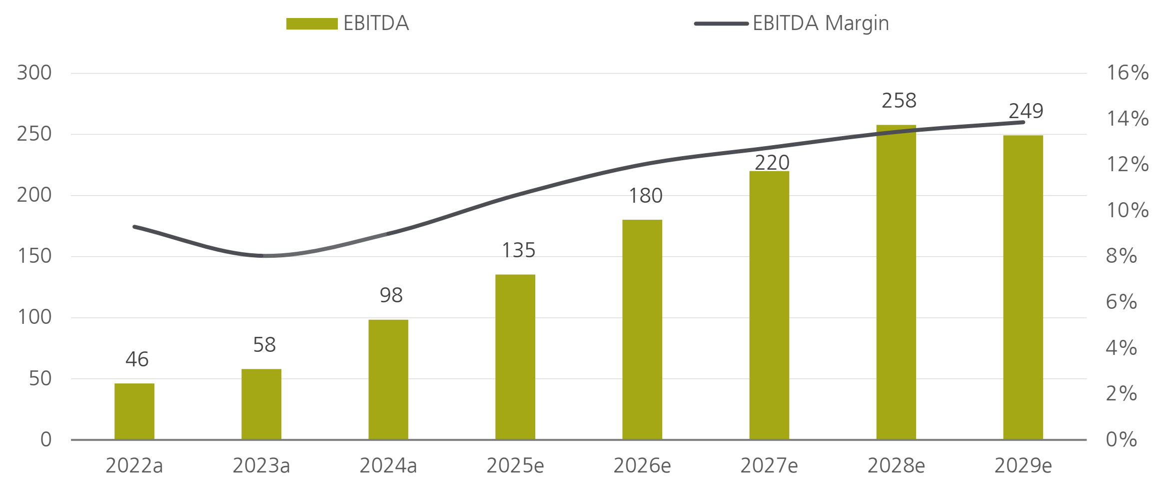
Source: Company data, EFG Hermes estimates

Defensive top-line drives EBTIDA to grow at c23% from 2025-29e

GAS' low-risk business model enabled it to achieve EBITDA growth of +40% between 2022-24, primarily driven by trading segment backlog execution and product diversification in various fields. This approach aided in maintaining defensive revenue streams, while preserving cost optimisation through strong partnerships with exclusive suppliers. Looking ahead, we expect the trading segment to propel EBITDA to reach SAR249mn by 2029, with an EBITDA margin of c14%, supported by the execution of the awarded backlog and complemented by cost savings from in-house engineering capabilities and hedging strategies.

Figure 39: EBITDA progression

LHS: In SARmn; RHS: In %



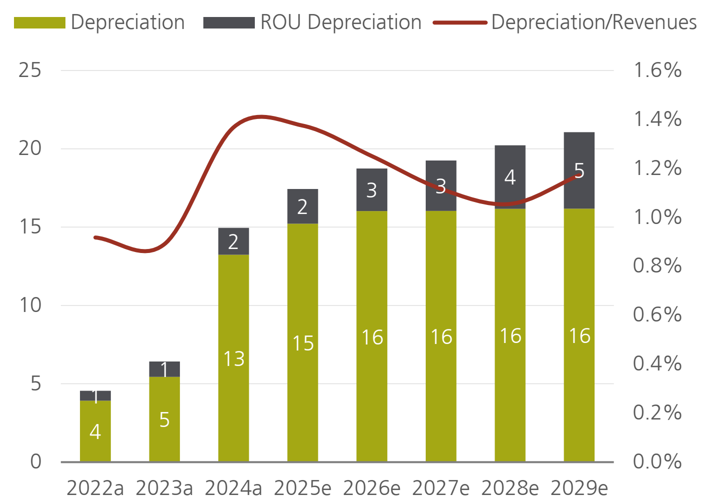
Source: Company data, EFG Hermes estimates

Depreciation and others

GAS operates through an asset-light business model that keeps a low depreciation, which cover only a few machineries, buildings and furniture, along with right-of-use assets since the company's buildings are on rented land from the Royal Commission for Jubail and Yanbu. Moving forward, we expect depreciation to be maintained at only c1% of revenues across our forecasts (implying dep policy reaching 20 years). As for other income, we pencil in only SAR5mn in our model moving forward, stemming from rental income and short-term investments.

Figure 40: Depreciation progression

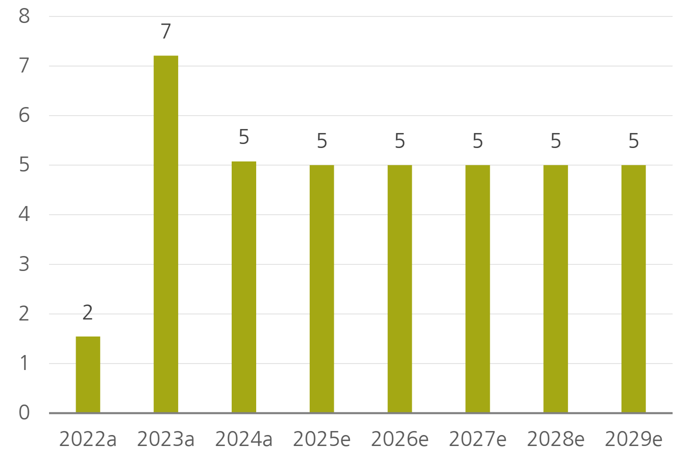
LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Figure 41: Other income (ex. employment benefits)

In SARmn



Source: Company data, EFG Hermes estimates

Strategic joint ventures with ROE of c27% by 2029

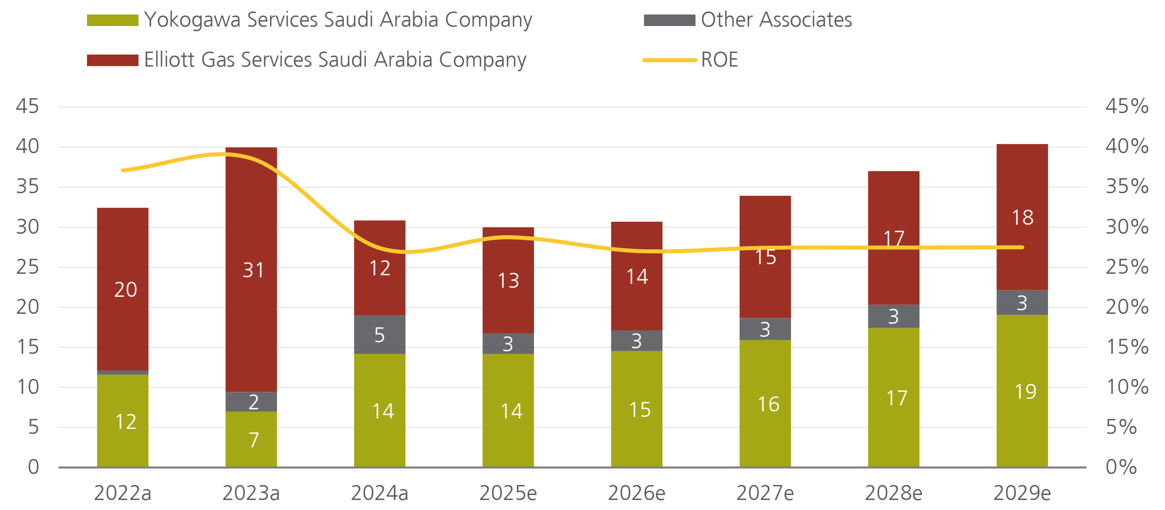
GAS has been forming strategic joint ventures,8 active partnerships and 27 exclusive business relations - the most prominent being:

i) Yokogawa Services (33% ownership); and
ii) Elliott Gas Services (45%)

These partnerships allowed GAS to deliver specialised solutions across its core business segments, while also ensuring consistent and timely supply of the electrical components. Management indicated that it still may add 1-2 JVs as per its internal investment cycle 7 to align with the expanding solutions that the company offers. We conservatively pencil in an average ROE of c27% by 2029, contributing SAR40mn to earnings.

Figure 42: Investment in associates

LHS: In SARmn; RHS: In %



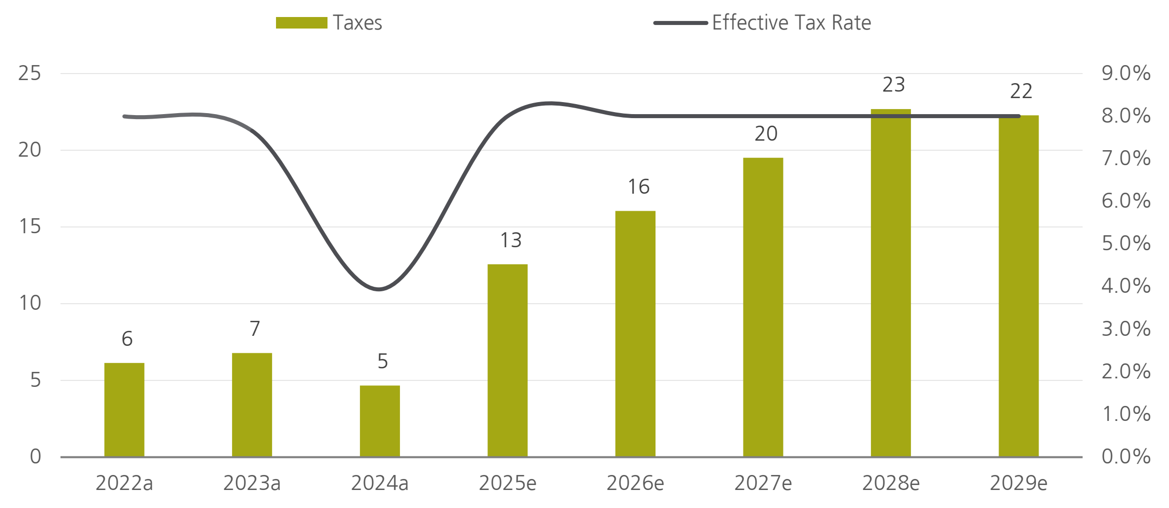
Source: Company data, EFG Hermes estimates

Steady effective tax rate at 8% moving forward

Considering Saudi Arabia's tax/zakat framework, the company's effective tax rate (ETR) has consistently ranged within 7-8%. Looking ahead, we expect the ETR will remain at the higher end of that range (i.e. c8%) throughout our forecast horizon.

Figure 43: Tax progression – we expect an ETR of 8% across our forecasts

LHS: In SARmn; RHS: In %



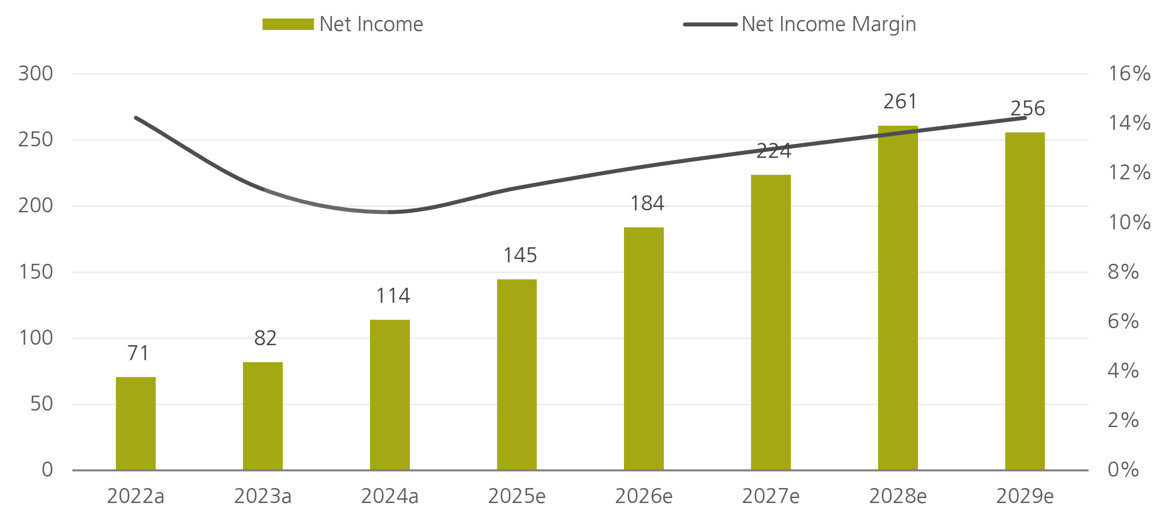
Source: Company data, EFG Hermes estimates

Robust earnings growth driven by execution of SAR1.66bn backlog

From 2025 onwards, we project earnings to grow at a CAGR of 21% until 2029, driven by the execution of an SAR1.66bn backlog and improved EBITDA margin. In addition, we expect JV income to drive more growth flowing to the bottom-line translating into a net margin of 14% by 2029.

Figure 44: Net income progression – expect a c21% CAGR (2025-29e)

LHS: In SARmn; RHS: In %



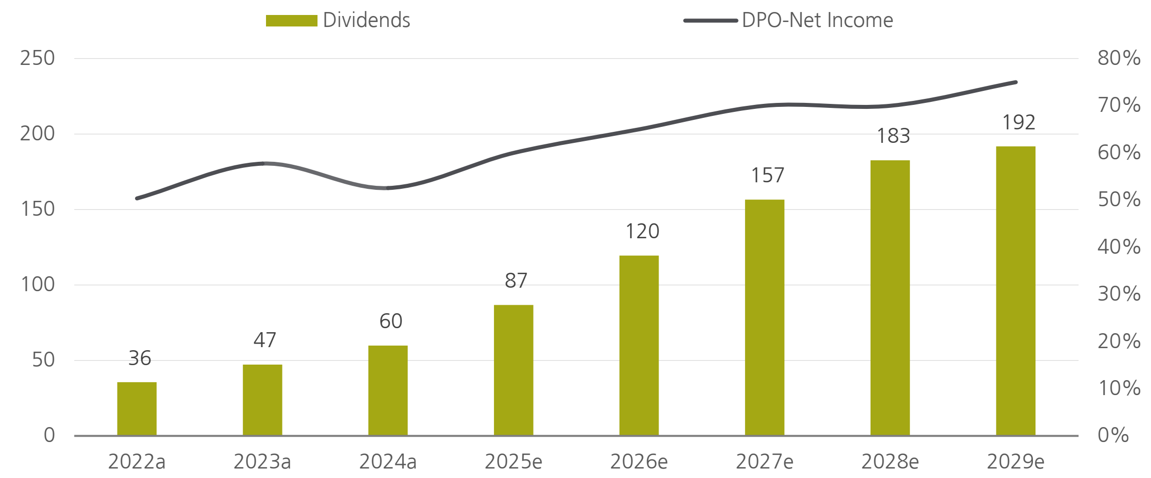
Source: Company data, EFG Hermes estimates

Solid dividend growth outlook

Since its listing on Nomu, GAS has demonstrated commitment to return dividends to shareholders with a payout ratio of c50%. In 2024, the company moved to an interim dividend policy and distributed SAR60mn, implying a DPO of c53%. Looking ahead, we anticipate GAS to increase its payout ratio to 75% by 2029, on an expectation that earnings and FCFs will grow and that the company will aim to maintain a relatively efficient balance sheet that does not hoard too much cash.

Figure 45: Progression of dividends

LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Figure 46: Operating summary

In SARmn, unless otherwise stated

Operating Summary	2022a	2023a	2024e	2025e	2026e	2027e	2028e	2029e
Backlog - Beginning Balance	465	443	731	1661	2105	2405	2578	2578
Awards	474	1010	2023	1713	1800	1897	1917	1797
Awards/Revenues	**0.96**	**1.40**	**1.85**	**1.35**	**1.20**	**1.10**	**1.00**	**1.00**
Execution	(496)	(722)	(1,093)	(1,269)	(1,500)	(1,725)	(1,917)	(1,797)
Backlog - Ending Balance	443	731	1,661	2,105	2,405	2,578	2,578	2,578
Backlog to revenue	**0.89**	**1.01**	**1.52**	**1.66**	**1.60**	**1.49**	**1.34**	**1.43**
Financial Summary								
Revenues	496	722	1,093	1,269	1,500	1,725	1,917	1,797
Gross Profit	115	135	172	245	293	339	377	363
Gross Profit Margin	**23%**	**19%**	**16%**	**19%**	**20%**	**20%**	**20%**	**20%**
EBITDA	46	58	98	135	180	220	258	249
EBITDA Margin	**9%**	**8%**	**9%**	**11%**	**12%**	**13%**	**13%**	**14%**
Investment in Associates	31	38	28	30	31	34	37	40
Taxes	(6)	(7)	(5)	(13)	(16)	(20)	(23)	(22)
Net Income	71	82	114	145	184	224	261	256
Net Income Margin	**14%**	**11%**	**10%**	**11%**	**12%**	**13%**	**14%**	**14%**
Returns								
ROAE	25%	26%	32%	34%	37%	37%	37%	32%
ROAIC	15%	17%	31%	37%	43%	41%	41%	34%

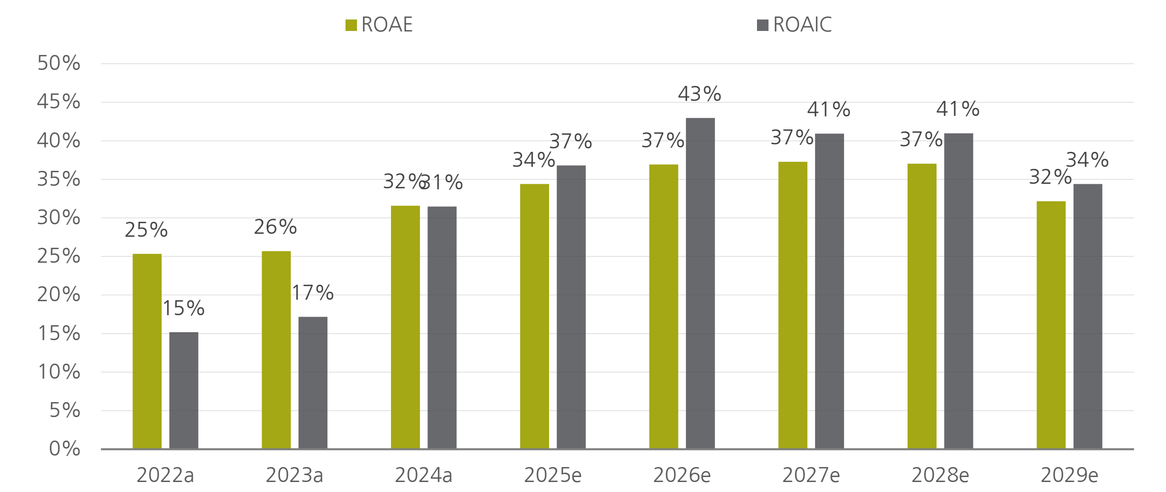
Source: Company data, EFG Hermes estimates

Positive earnings trajectory with a healthy return profile

GAS maintained it high-return profile with average ROAEs and ROAICs at c27% and c20% between 2022-24, respectively, stemming from sustainable earnings expansion and backlog awards. We expect that ROAICs will improve to 34% by 2029 on the back of the executions of the backlog and securing new projects and long-term contracts with major clients. Furthermore, we pencil in an increase in the levels of ROAEs to reach 32% by 2029, driven by the increase in the investment income from the JV.

Figure 47: ROAE and ROAIC

In %



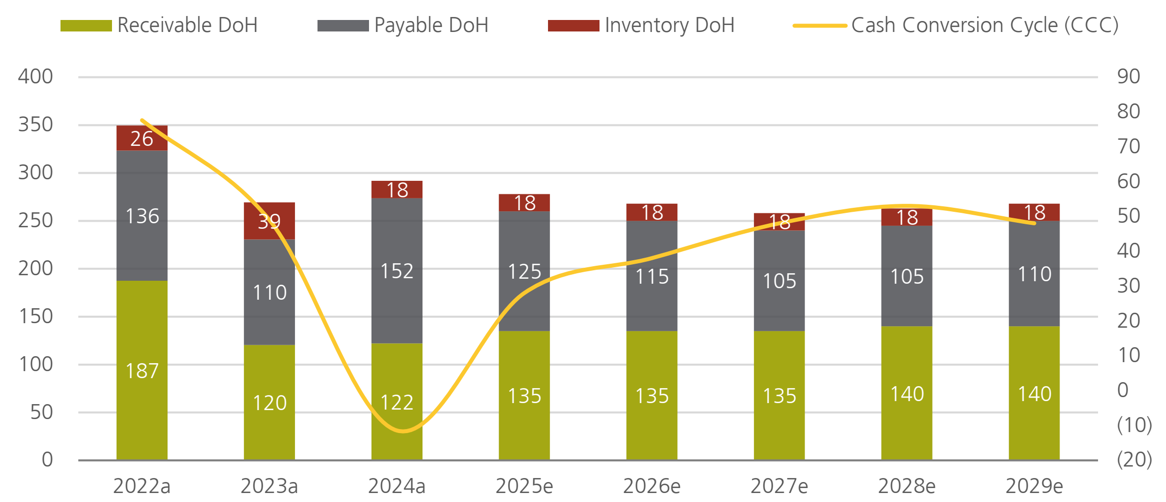
Source: Company data, EFG Hermes estimates

Normalised working capital days on receivables control and inventory management

We believe that GAS Arabian will be able to sustain its cash conversion cycle on average at c50-55 days, driven by tighter controls on receivable days and efficient controls in inventory management. The company has implemented multiple agreements with its clients to ensure advance payments and due dates are adhered to. In addition, GAS leveraged technology measures to enhance operational efficiency and maintain healthy level of inventory turnover. As per our conversation with management, typical payable terms hover around 45-90 days, while collection days from major clients as Aramco and SABIC range within 30-60 days.

Figure 48: Cash conversion cycle (CCC)

In days



Source: Company data, EFG Hermes estimates

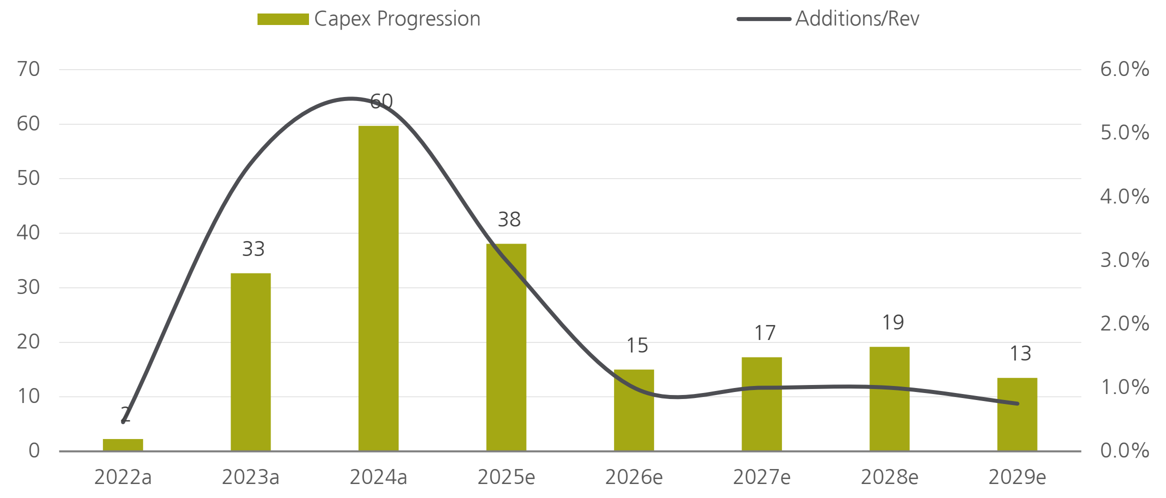
GAS' asset-light business model provides ample room for growth

Overall, we see GAS' asset-light business model as providing flexibility while not necessarily requiring intensive investments in assets – with the exception of the manufacturing facility.

We note that in 2023-24, the company's capex was inflated to 4.5% rev/capex – up from the normal of 2% – due to building the commercial tower, which the company intends to rent out partially by 2027. We estimate capex to decline after completing the commercial tower's construction. As we move forward, we conservatively assume capital expenditures to be at cSAR13-19mn, implying c1% capex/revenues on the back of the periodic maintenance to GAS' fixed assets.

Figure 49: Capex progression – 2023-24 capex was inflated due to the building of the GAS commercial tower

LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

The net cash position is another factor that may increase dividends

GAS has maintained its net cash position since 2019 (as far back as public data is available), which has provided sufficient liquidity for its investment plans without relying heavily on external financing – as of FY24, GAS has a net cash position of cSAR173mn. We see this net cash position as another reason why dividends will likely be upped in the future to avoid keeping too much idle capital on the books.

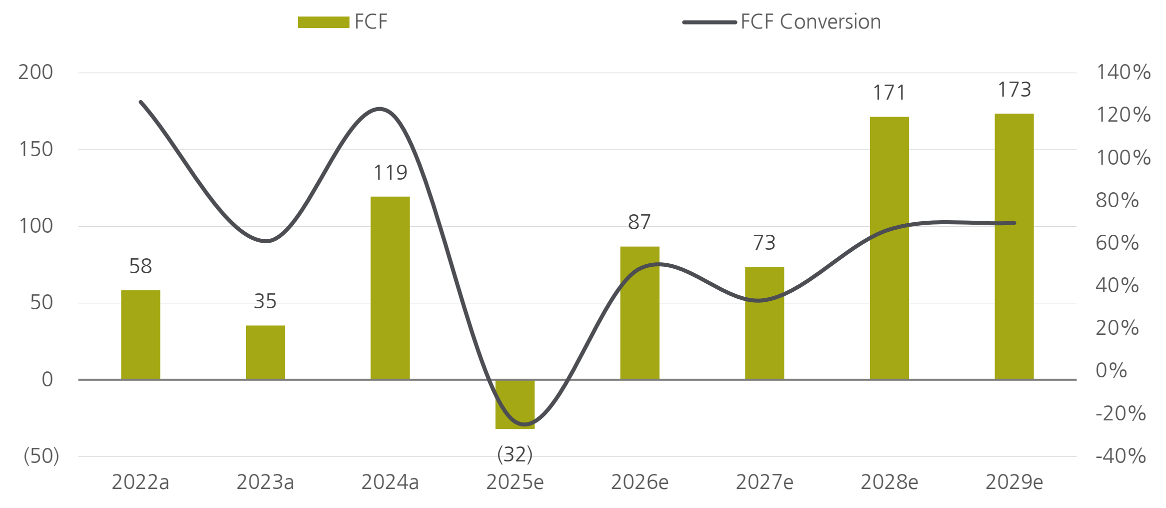
Strong FCFF recovery with a conversion rate of +70% by 2029 and higher LT

GAS saw strong recovery in FCFFs in 2022-24 following a dip in 2021 into the red, as a result of implementing tighter controls on working capital days and despite higher capex due to the tower's construction.

Going forward, GAS' FCF is poised to recover after another likely dip in 2025 as the tower capex picks up. From 2026 onwards, FCF is anticipated to grow steadily, reaching cSAR173mn by 2029, with FCF conversion rates growing +70%, reflecting a strategic focus on capitalising on a growing backlog and efficient controls on working capital days.

Figure 50: FCF conversion

LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

4. Segmental analysis

Technical Services enjoying considerable awards

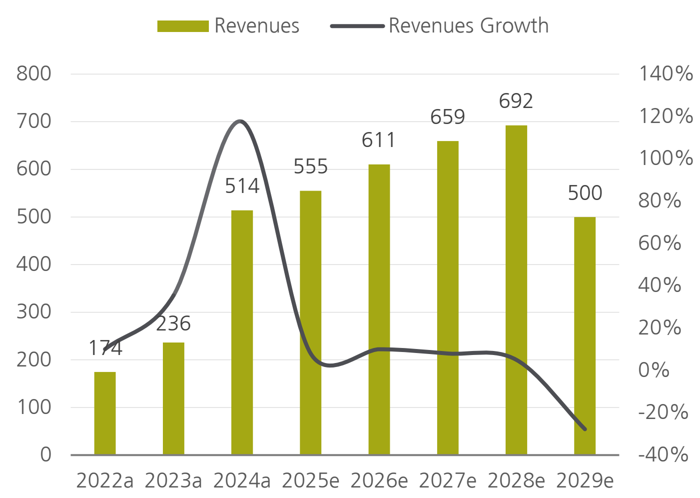
The technical service division contributes the lion's share (i.e.78%) of the company's overall SAR1.66bn backlog (as of FY24) – which offers a mix of EPC, manpower supply and project management, amongst other services. GAS has been awarded 67 EPC projects (55 of which are now complete) since its inception, with Aramco and SABIC accounting for 76% of the total projects. For field services, GAS adopts a customer-centric approach through providing required services and workforce for rotating equipment, shutdowns and long-term maintenance, while optimising workflows and controlling costs.

We expect the technical services segment's revenues to grow at a CAGR of c8% between 2024 and 2028, before stabilising to SAR500mn driven by increasing demand for energy infrastructure development and maintenance in Saudi Arabia. As per our discussions with management, the technical services segment typically receives a minimum of SAR200mn/annum worth of orders on a recurring basis. We pencil in a decline in revenues beyond 2028 because of the normalisation of the capex cycle in KSA from Aramco, which will likely peak by 2027.

We project gross margins to stabilise at c15% starting from 2025, despite upside risks from economies of scale and the expansion of internal engineering capabilities to reduce subcontractor reliance. It is worth noting that the manpower contracts currently account for 20% of the segment's revenues, which we think would likely decline as more EPC executions take place. Overall, we estimate gross profit to grow at a CAGR of 10% between 2024-29, reaching SAR75mn.

Figure 51: Technical services revenues' progression

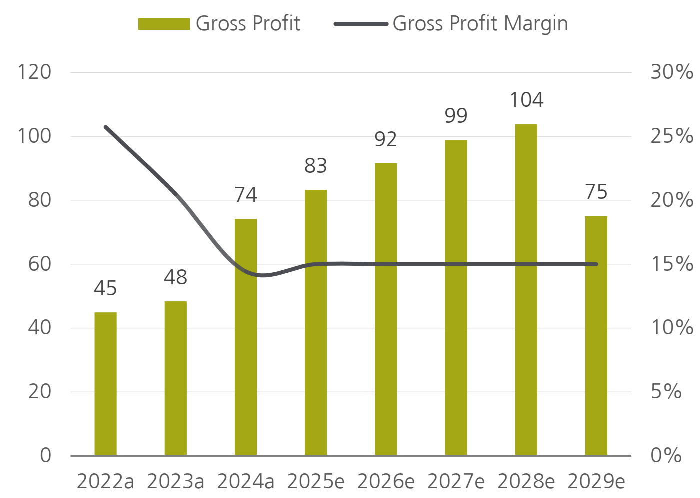
LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Figure 52: Stable margin at c15% going forward

LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Trading segment – GAS adds value to most traded equipment, ensuring a recurring source of revenue

The naming of the "Trading segment" is somewhat of a misnomer, as GAS critically adds value to the equipment through certain customisations to the client requirements. The segment accounts for c48% of total revenues (as of FY24), supplies a wide array of value-added electrical components, instrumentation and specialised industrial materials required by major clients, primarily in the energy and petrochemical sectors. Due to the custom nature of the equipment supplied, this trading segment enjoys 90% recurrence in its orders, driven by long-term agreements with key clients like Saudi Aramco and SABIC.

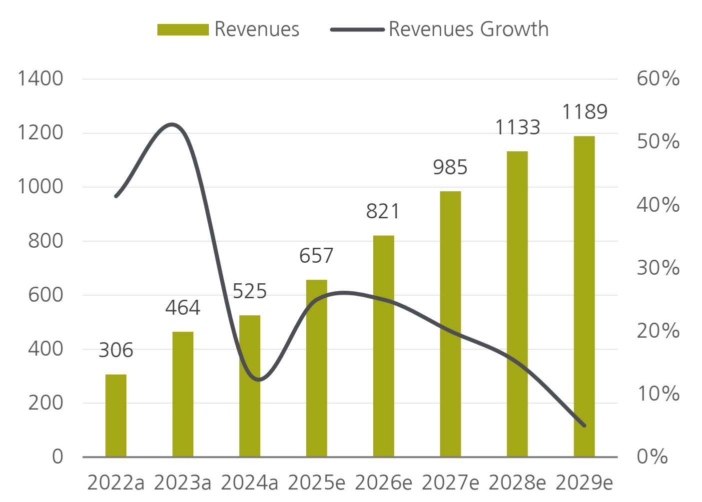
GAS leverages 27 exclusive relations with global Original Equipment Manufacturers (OEMs), along with strategic joint ventures such as Yokogawa and Elliott Gas Services, to enhance its value proposition, through:

- Providing customised equipment that meets the specific needs of major industries.
- Optimising pricing and supply chain management, while ensuring timely delivery of components and minimising operational disruptions for clients.
- Strengthening its market positioning by offering clients access to products from leading global manufacturers, thereby reinforcing trust and long-term credibility.

We project the trading segment's revenues to grow at a CAGR of 22% between 2025 and 2029, backed by long-term spare parts supply agreements with customers, reaching cSAR1.19bn by 2029. This is also reinforced by the strong demand from Saudi Vision 2030 projects, which has been promoting supply chain localisation and reducing dependence on imports. For the GP margin, we pencil in a stable c21% throughout our forecast, driven by favourable relations with OEM suppliers.

Figure 53: Trading solutions' revenues

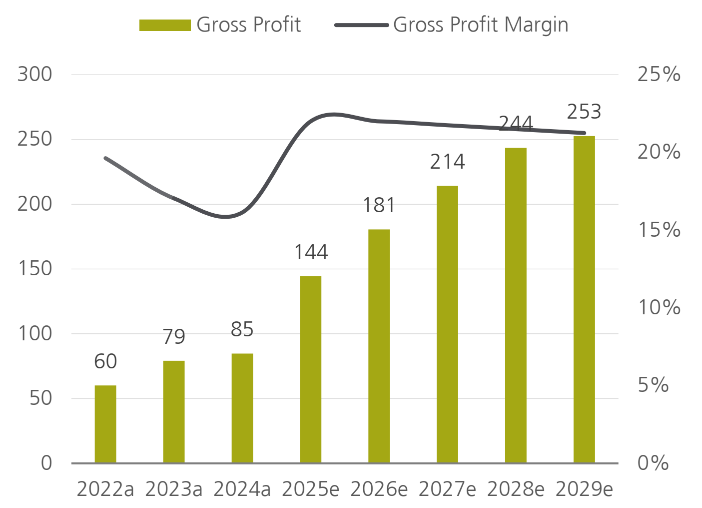
LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Figure 54: Trading solutions' gross profit

LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Manufacturing segment – running at low utilisation as of today

The manufacturing segment, the most recent addition to GAS' portfolio, was set up in Dammam with a facility spanning 30,000m^2 and included modern manufacturing, storage and testing areas. The factory allows the company to design, manufacture and assemble a range of products, including oil and gas platforms and structural components to cater to a wide clientele base, such as Saudi Aramco, SABIC, the Saudi Electricity Company and Sipchem.

While the factory operates at low utilisation rate that can be improved, as per our discussions with management, GAS still aims at expanding/upgrading the facility to amplify manufactured production levels. Given that GAS has secured a corporate purchase agreement for the supply of fabricated and flanged pipe spools, and a collective purchase agreement for 20 skids annually up until 2028 with Saudi Aramco, we estimate an improvement in utilisation in coming years and a healthy pick up in the segment's revenues.

Figure 55: Metal tech factory products approved by Saudi Aramco

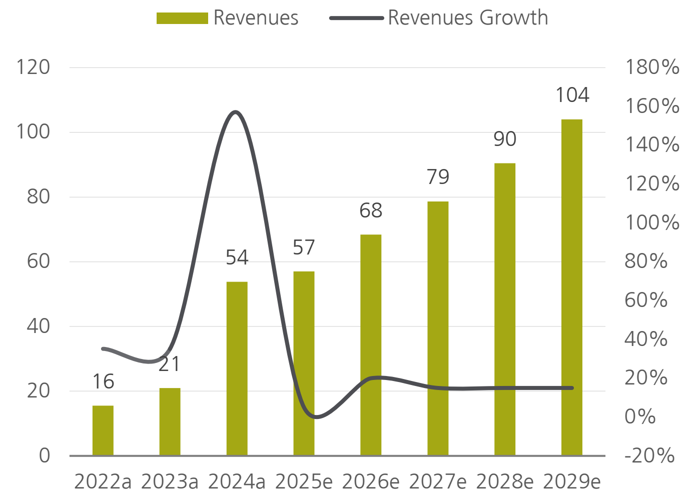
Manufacturing products			
1.	Chemical injection skid, well tie-ins app	2.	Gas modular skid
3.	Chemical injection skid, non-well head tie-ins	4.	Oil modular skid
5.	Structural steel	6.	Pressure reduction skid
7.	Spool; pipe; all sizes; flanged; bw; ft	8.	Valve skid
9.	Spool; pipe; bw; fabricated, any metal	10.	Surge relief skid

Source: Company data

Revenues poised to grow at a 22% CAGR amidst strategic expansion

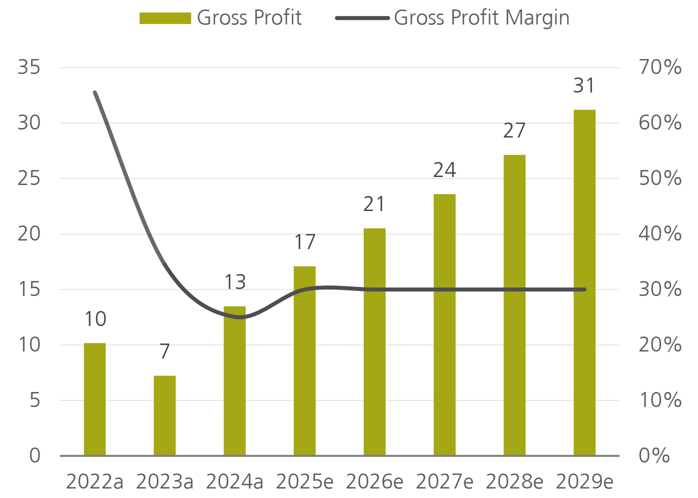
We project an increase for the manufacturing revenues at a CAGR of 22% between 2025 and 2029 (ahead of other segments within GAS). However, it will continue to have a marginal contribution to the group across our forecasts (5% of overall group revenues, on average between 2025-33). As for margins, we conservatively assume a GPM of c30% in our forecasts from the current c25% run rate in 2024.

Figure 56: Manufacturing revenues
LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

Figure 57: Manufacturing gross profit
LHS: In SARmn; RHS: In %



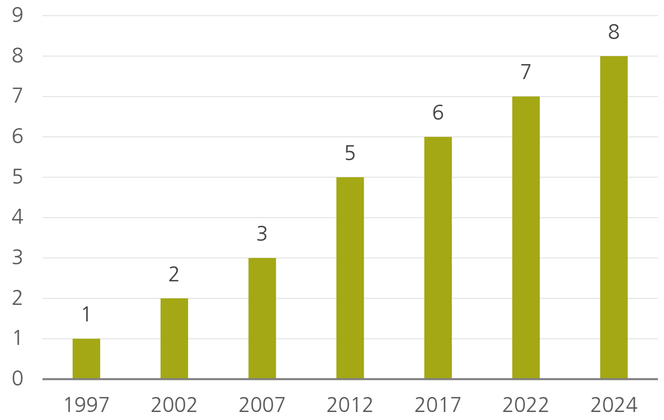
Source: Company data, EFG Hermes estimates

5. Joint ventures

Expanding market presence and services through JVs

GAS leverages JVs to enhance its market presence and expand its services. Currently, the company has 8 strategic joint ventures, with plans to add to 1-2 JV partners. The joint ventures are carefully selected to align with GAS's company profile and strategic goals, allowing the company to deliver specialised solutions across its core business segments.

Figure 58: GAS joint ventures over the years
In x



Source: Company data, EFG Hermes estimates

Figure 59: Joint ventures
Contribution in %

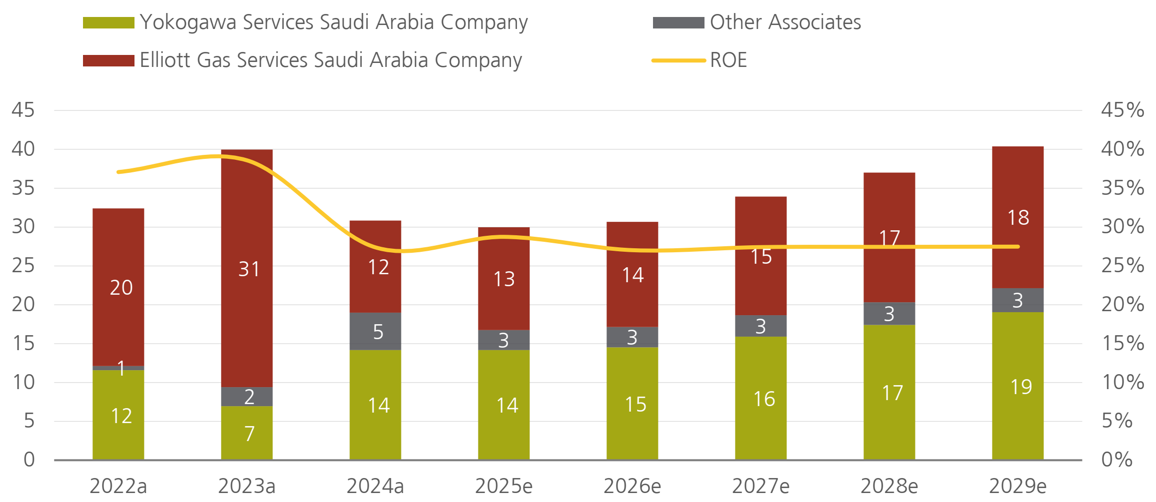
Joint Ventures	Classification	Contribution
Yokogawa Services Saudi Arabia Company	Services	33%
Elliott Gas Services Saudi Arabia Company	Services	45%
FS Elliott Services Saudi Arabia Company	Services	50%
Gas Vector Saudi Arabia Company limited	Services	49%
Weidmular Saudi Arabia Factory	Manufacturing	45%
Tubefit Engineering Arabian Factory	Manufacturing	47%
FS Elliott Saudi Arabia Company	Manufacturing	50%
Elster Instromet Services Saudi Arabia Ltd	Manufacturing	40%

Source: Company data

Earnings poised to increase on the back of adding new JV(s)

We pencil a growth in the investment income by a CAGR of 10% through 2029 with an upside potential for adding more JV. We note that more than 75% of the profit shares from the JVs are being converted into in the form of dividends, which feeds the company's bottom-line while allowing more room for growth on the balance sheet.

Figure 60: Investment in associates
LHS: In SARmn; RHS: In %



Source: Company data, EFG Hermes estimates

6. Internal investment cycle

New internal investment cycle fuels further growth for GAS

GAS has a proven track record of development through its history, focusing on expanding ideas and products, and regularly analysing their respective benefit through their internal investment cycles (IIC). The company follows an average internal investment cycle of 4-6 years, with each cycle strategically and thoroughly vetted to align with GAS' long-term growth objectives. GAS has already started its new internal investment cycle (IIC#7) by the end of 2023 and anticipates seeing its positive impact by early 2025.

Technical services:

- **Project execution:** GAS is committed to ensure successful, safe and timely completion execution, adhering to the highest standards of quality and safety.
- **Service category upgrade:** The company also plans to upgrade its service category with Saudi Aramco from CAT II to CAT I, which will increase the bidding limit from SAR600mn to no bidding limit.
- **Engineering expansion:** GAS aims to expand its engineering capabilities to diversify its scope and meet the growing demands of its clients.

Trading segment:

- **Exclusive representation:** GAS aims to represent exclusively new companies in the environment and chemical sectors, strengthening market position and expanding its portfolio. In addition, the company is planning to add new sectors such as instrumentation and mechanical.
- **Stocking strategy:** The company plans to construct a new warehouse for local stocking of spare parts and products, enabling immediate customer support during emergencies, while boosting profitability.

Manufacturing segment:

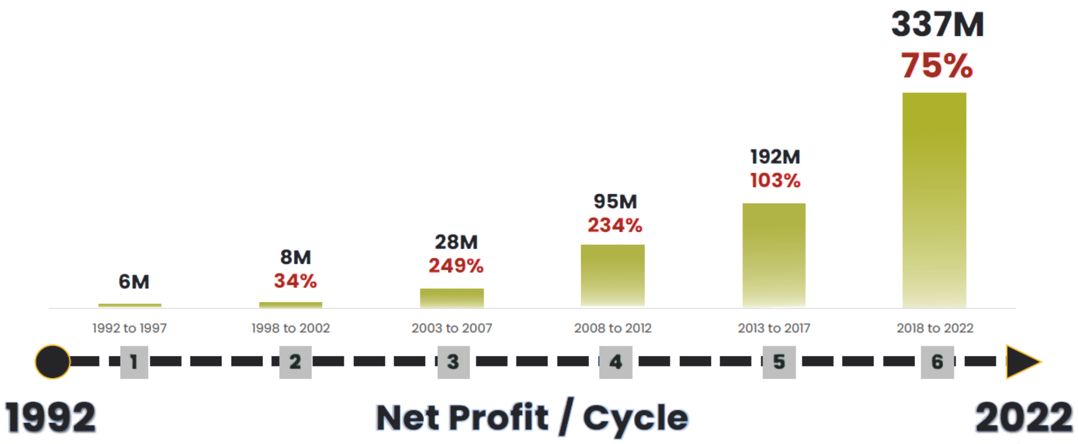
- **Long-term agreements execution:** GAS intends to execute two long-term agreements with Aramco, ensuring full compliance with all standards and requirements.
- **New manufacturing facility:** The company plans to build or acquire or expand new manufacturing facility to expand its product offerings while enhancing production capacity and efficiency.

Joint ventures:

- **Additional joint ventures:** GAS intends to add 1-2 strategic joint ventures that align with its company profile and the solutions it offers, reaching 9-10 JV partners. This expansion is expected to feed the company's bottom-line and ensure a consistent supply of electrical and industrial products.

Figure 61: GAS track record of internal investment cycles

Net profit/cycle in SARmn



Source: Company data

7. ESG

A. Environmental

To minimise its environmental impact, GAS is committed to environmental sustainability through several key initiatives that align with both global practices and Saudi Vision 2030 goals. These initiatives include:

- Energy efficiency improvements
- Emission reduction
- Material reduction and recycling
- Sustainable water and electricity management
- Waste management

Figure 62: GAS adheres to sustainable development practices through various environmental practices

Initiative	Description
Energy Efficiency Improvements	Optimises energy consumption through energy-efficient technologies and practices to reduce carbon footprint.
Emission Reduction	Implements plans to reduce harmful emissions, aligning with global standards for cleaner air and a healthier ecosystem.
Material Reduction and Recycling	Minimises material consumption and maximises reuse through recycling programs to reduce waste and conserve resources.
Sustainable Water and Electricity Management	Uses advanced methods to monitor and reduce water and electricity consumption, ensuring sustainable resource use.
Waste Management	Utilises scientific and technological methods for sustainable waste management and disposal to minimize environmental impact

Source: Company data

B. Social

- **Commitment to safety and employee wellbeing:** GAS ensures leadership in technical and manufacturing segments by creating competitive work environments and attracting top talent. The company adheres to strict health and safety standards with a project quality index of 96.61%, providing implementing advanced safety systems.
- **Employee training and development:** The company focuses on enhancing the skills and capabilities of its workforce to ensure continuous growth and excellence. It is committed to providing comprehensive training programmes that cover both technical and soft skills, ensuring that employees are equipped to meet the industry's evolving demands. By investing in its employees, GAS aims to foster an adaptable workforce that can drive the company's growth and success in the competitive market.

Figure 63: Employees development programmes

Number of participants and training hours in X

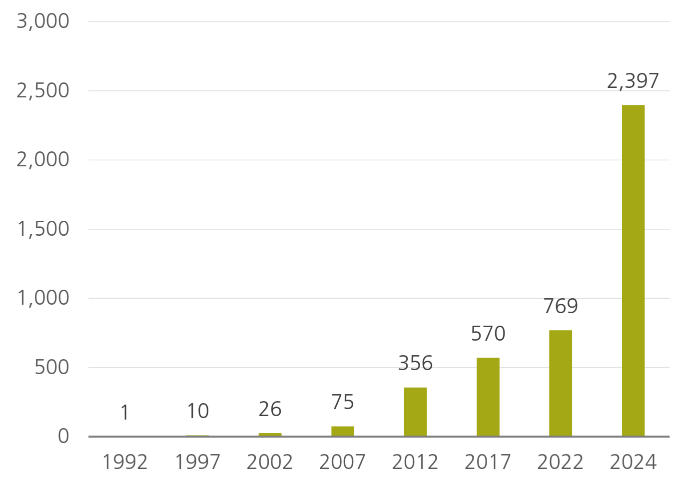
Programme	Number of participants	Target group	Training hours
Training for technicians (Saudi Only)	14	Technicians (Saudi only)	32,200
Human resources	3	HR professionals	607
Time and attendance management	1,150	All employees	575
Information technology	980	All employees	440
Corporate governance	2	Selected groups	146
Product training	2	Sales and services	80
Employee stock programmes	1,001	All employees	500
Quality management	1	Selected groups	126
Total	3,153		34,674

Source: Company data

- **Social and economic empowerment**: GAS is dedicated to enhancing social and economic development (currently has 2,000+ employees) and fostering economic growth through collaborations with local businesses. In addition, the company maintains its efforts to increase the Saudisation ratio, currently at 20%, supporting more opportunities to Saudi youth.

Figure 64: Number of employees – FY24

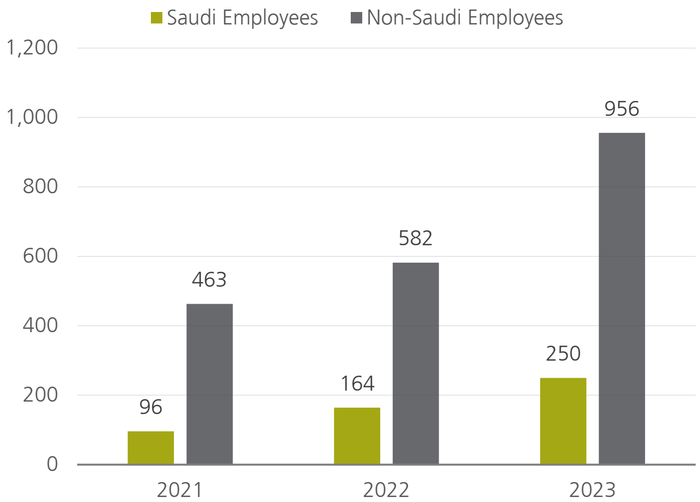
Number of employees in x



Source: Company data

Figure 65: Number of employees by nationality

Employees in X



Source: Company data

C. Governance

- **Commitment to strategic goals and integrity:** GAS focuses on achieving strategic objectives by ensuring clear responsibilities, fostering transparency and promoting fairness. This approach builds trust, aligns strategic and operational responsibilities and supports informed decision-making.
- **Management and BoD intensive experience:** A committed management team and BoD with a lot of industry expertise ensure that strategic goals are met with transparency and effective governance. The BoD provides crucial oversight to align management practices with the company's vision and standards.

Figure 66: Management Team

Management team	Current position	Nationality
Faisal Khalid Al-Dabal	Vice Chairman and Chief Executive Officer	Saudi
Aref Khalid Al-Dabal	Chief Investment Officer	Saudi
Faisal Ahmed Alsunaid	Chief Operating Officer	Saudi
Khalid Jamal Al-Dabal	Investor Relations and Corporate Governance and Shared Services - Executive General Manager	Saudi
Mahesh Kumar	Instrumentation and Electrical - Senior General Manager	Indian
Kirubakaran Parthasarathy	Mechanical - Senior General Manager	Indian
Reda Arafat	Finance - Executive Finance Manager	Egyptian
Ahmed Ghazi Hassan	Internal Audit - Manager	Jordanian

Source: Company data

Figure 67: Board of Directors

Board of Directors	Classification	Current position
Abdulrahman Khalid Al-Dabal	Non-Executive	Chairman
Faisal Khalid Al-Dabal	Executive	Vice Chairman and Chief Executive Officer
Fawaz Abdullah Danish	Independent	Member
Aref Khalid Al-Dabal	Executive	Member and Chief Investment Officer
Alawi Mohammed Baroum	Independent	Director
Abdulaziz Ibrahim Alkhamis	Independent	Director

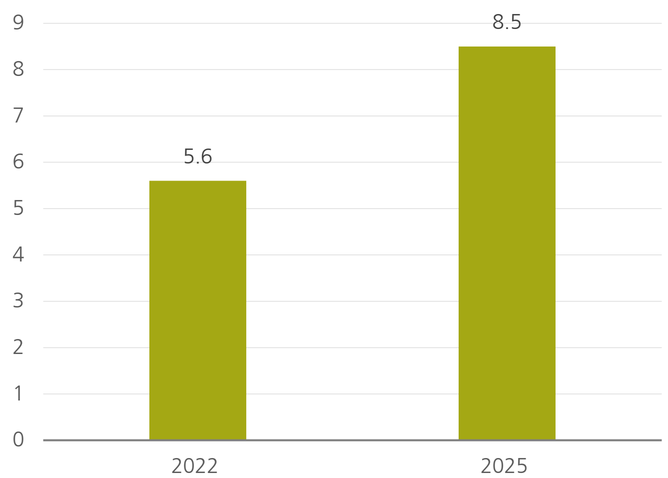
Source: Company data

8. Appendix

Market overview and outlook

Figure 68: Desalination capacity in Saudi Arabia

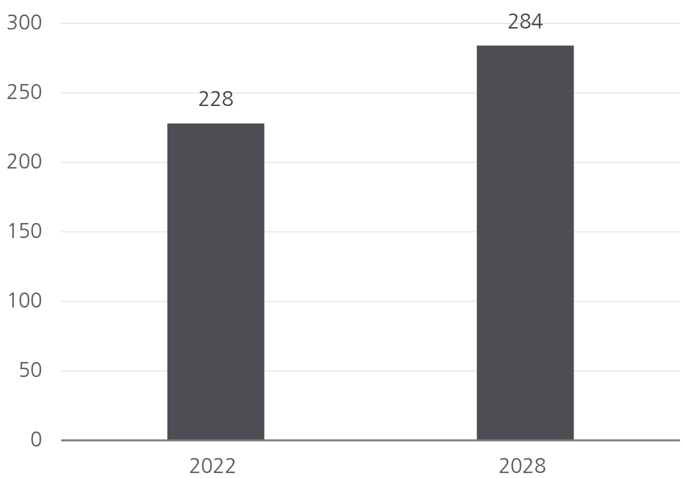
In million m3/day



Source: Company data

Figure 69: Concrete market in Saudi Arabia

In MMT



Source: Company data

Figure 70: List of Aramco oil and gas projects – 2023 and 2024 awards

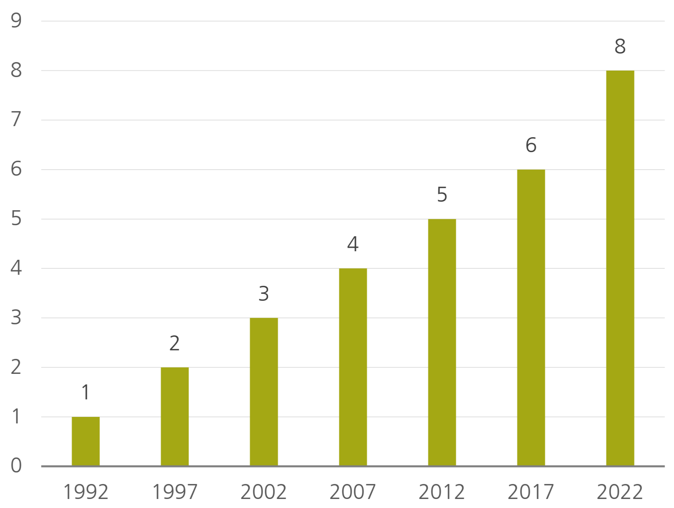
Project	Industry	Project value (SARbn)	Award year	Completion year
Jafurah - Second phase: Package 1 - Gas processing plant and main process units	Gas	10.9	2023	2027e
Jafurah - Second phase: Package 2 - Utilities and offsites	Gas	9	2023	2027e
Jafurah - Second phase: Riyas NGL package 2 - Utilities, storage, and export facilities	Gas	8.3	2023	2026e
Accelerated carbon capture and sequestration - Phase 1	Gas	5.6	2024	2027e
Zuluf - Upgrade of offshore infrastructure (CRPO 100)	Oil	4.5	2023	2027e
Jafurah - Second phase: Riyas NGL package 1 - NGL fractionation trains	Gas	3.8	2023	2026e
Jafurah - Second phase: Package 3 - Gas and compression units	Gas	3.8	2023	2027e
Zuluf - Offshore trunk lines	Oil	3	2024	2027e
Safaniya field increment - Offshore accommodation facility	Oil	1.9	2023	2026e
Safaniya field increment - Installation of water injection and tie-in units	Oil	1.9	2023	2026e
Total		52.7		

Source: Company data

Company's facilities and divisions

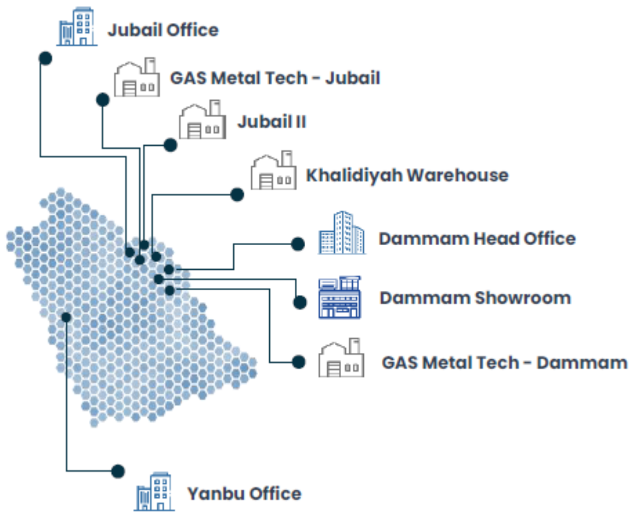
Figure 71: Number of offices and facilities – FY24

In x



Source: Company data, EFG Hermes estimates

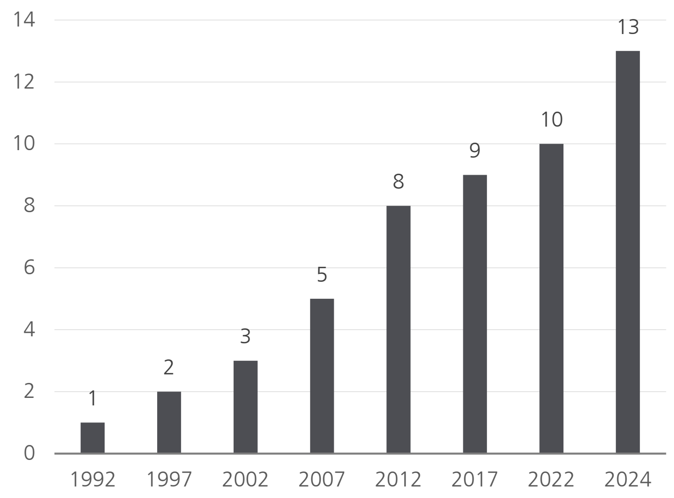
Figure 72: List of offices and facilities



Source: Company data, EFG Hermes estimates

Figure 73: Number of divisions – FY24

In x



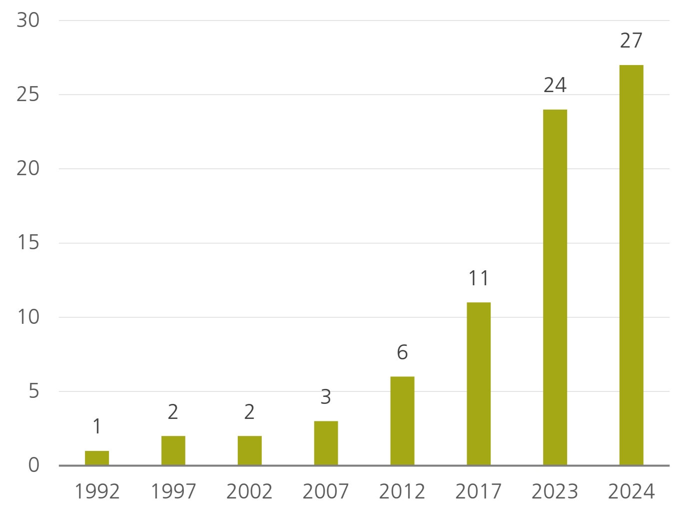
Source: Company data, EFG Hermes estimates

Figure 74: List of divisions

Source: Company data, EFG Hermes estimates

Figure 75: Number of principal OEMs – FY24

In X



Source: Company data

Figure 76: List of OEMs

Source: Company data

Joint ventures

Figure 77: List of GAS JVs

Contribution in %; facility cost in SARmn; total land area in m2

Joint Ventures	Classification	Contribution	Facility Cost	Total Land Area
Yokogawa Services Saudi Arabia Company	Services	33%	8.5	5000
Elliott Gas Services Saudi Arabia Company	Services	45%	37	6,700
FS Elliott Services Saudi Arabia Company	Services	50%	3	1000
Gas Vector Saudi Arabia Company limited	Services	45%	-	-
Weidmular Saudi Arabia Factory	Manufacturing	49%	4.5	1,500
Tubefit Engineering Arabian Factory	Manufacturing	47%	-	-
FS Elliott Saudi Arabia Company	Manufacturing	50%	3	1000
Elster Instromet Services Saudi Arabia Ltd	Manufacturing	40%	3.5	4300

Source: Company data

Company's Segments

Figure 78: Technical service projects by clients – inception to FY24

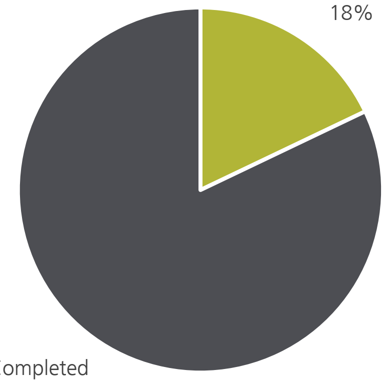
In x

Clients	Number of projects
Aramco, Petro Rabigh, Sasref, Yasref	35
SABIC	16
Sipchem	5
Advanced	1
Royal Commission for Jubail & Yanbu	1
Private and Public Sector	9
Total Projects	67

Source: Company data

Figure 79: Technical service projects by status – FY24

In %



Source: Company data

Figure 80: Summary of technical service projects – project management division

Client	Intended Project	Scope
Aramco	Khursaniyah Gas Plant Water Supply Upgrade Project	Engineering Procurement & Construction Contract
	Master Gas System Expansion (MGSE) from SHEDGUM to EWPS-1: Package 3	Engineering, Procurement and Construction
	Master Gas System Expansion (MGSE) in East & Qassim Clusters: Package 12	Engineering, Procurement and Construction
Yamama Cement	Yamama Sales Gas and Crude Oil Pipeline Project	Engineering, Procurement, Construction and Project Management
	Fuel Supply for Yamama Relocation Project (YRP) Yamama Battery Limit Phase-1	Engineering, Procurement, Construction and Project Management
Sipchem	SIPCHEM CO2 Feedstock Supply from SASREF To SIPCHEM Project	Engineering, Procurement, Construction and Project Management
	New Ethylene Supply Line from Sadara to Sipchem	Engineering, Procurement, Construction and Project Management
Saudi Electricity	SEC PP-11 Sales Gas Delivery System Project	Construction, Design and Project Management
	SEC QIPP Sales Gas Delivery System Project	Construction, Design and Project Management
Advanced	APOC Sales Gas & Propane Pipeline Project	Procurement, Construction and Project Management
Kingdom of Saudi Arabia	Royal Commission Sales Gas Network for Plaschem Park – Jubail II	Procurement, Construction and Project Management
King Abdullah Economic City	KAEC IV Natural Gas Network Project	Procurement, Construction and Project Management
Petro Rabigh	Petro Rabigh Sales Gas Pipeline Project	Engineering, Procurement, Construction and Project Management
InoChem	INOCHEM - Sales Gas Delivery system	Engineering, Procurement, Construction and Project Management
Advanced	APPC- DE OFF-Gas Project	Engineering, Procurement, Construction and Project Management
Maaden	Saudi Aramco Metering Skid Upgrade Project	Engineering, Procurement, Construction and Project Management
Saudi Power Procurement Company (SPPC)	Taiba GAS Pipeline	Engineering, Procurement and Construction
	Qassim GAS Pipeline	Engineering, Procurement and Construction

Source: Company data, EFG Hermes estimates

Figure 81: Summary of technical service projects –field services division

Client	Intended Project	Scope
Aramco & JGC	Saudi Aramco Zuluf PJ Onshore Project – Mechanical Package 2 (MC2)	Steel Installation and Mechanical Equipment Erection
Sadara	Train 2, 3, 4 and PCA	Rotating equipment, compressors & Agitator Assembly
SABIC Ar-razi	Ar-Razi plant-II shutdown against P-II PSD	Rotating Equipment Repair Service P-II
SABIC - Sharq	4TPS Extruders Line 1 & 4	Overhauling of Rotating Equipment
	SABIC Sharq PE 3&4 MJSD 2022 - MACHINERY LUMP SUM	Partial overhauling of Rotating Equipment
SABIC - Yansab	P-4601A/B & P-4601A/B	Pump Seal Replacement
	ERM-P5110S	Procure gearbox repair
SABIC - Kemya	Sundyne Pumps	Maintenance
Maaden	Pump	High Speed Pump Major Overhaul

Source: Company data, EFG Hermes estimates

Figure 82: Trading segment division

Instrumental and electrical	Mechanical
Providing pioneering solutions in: • Pressure • Flow • Level • Temperature • GAS and liquid analysers • Automatic sampling systems	Sourcing mechanical solutions in: • Steam turbines • Compressors • Pumps • Valves • Corrosion monitoring system • Flow control system • Monitoring equipment • Tubing and piping
Exclusively representing 14 principals	Exclusively representing 18 principals

Source: Company data

Figure 83: Trading segment representing 28 global partners

Source: Company data, EFG Hermes estimates

Figure 84: Manufacturing segment

GAS Metal Tech Factory	
Total land	30 km2
Facility capabilities	• Manufacturing • Fabrication • Storage • Sand blasting • Painting and testing
Manufactured products (Aramco approved)	• Chemical injection skid, well tie-ins app • Chemical injection skid, non-well head tie-ins • Structural stee • Spool; pipe; all sizes; flanged; bw; ft • Spool; pipe; bw; fabricated, any metal • Gas modular skid • Oil modular skid • Pressure reduction skid • Valve skid • Surge relief skid
Agreements	Collective purchase agreement with Aramco for Skids: 20 skids per year 21 Dec 2021 to 31 Dec 2028

Source: Company data, EFG Hermes estimates

Financial Statements

Income Statement (Dec Year End)

In SARmn	2024a	2025e	2026e	2027e
Revenue	1,093	1,269	1,500	1,725
COGS	(921)	(1,024)	(1,207)	(1,386)
Gross profit	172	245	293	339
SG&A	(89)	(127)	(131)	(138)
Other operating inc (expense)	N/A	N/A	N/A	N/A
EBITDA	98	135	180	220
Depreciation and amortisation	(15)	(17)	(19)	(19)
Net operating profit (EBIT)	83	118	161	201
Share of results from associates	28	30	31	34
Net investment income (loss)	N/A	N/A	N/A	N/A
Net interest income (expense)	2	4	3	4
Other non-operating inc (exp.)	5	5	5	5
FX gains (loss)	0	0	0	0
Net provisions	N/A	N/A	N/A	N/A
Income before taxes or zakat	119	157	201	244
Taxes or zakat	(5)	(13)	(16)	(20)
Net inc before minority interest	114	145	184	224
Minority interest	N/A	N/A	N/A	N/A
Reported net income	114	145	184	224
Adjusted net income	114	145	184	224

Source: Gas Arabian Services, EFG Hermes estimates

Balance Sheet (Dec Year End)

In SARmn	2024a	2025e	2026e	2027e
Cash and cash equivalents	173	138	173	166
Accounts receivable (current)	286	330	390	449
Inventory	45	55	65	75
Other debit balances (current)	80	122	144	165
Total current assets	583	645	772	856
PP&E (net)	135	158	157	158
Goodwill & intangibles	6	9	9	9
Investments (non-current)	114	104	114	124
Other debit balances (non-current)	0	0	0	0
Total non-current assets	255	271	280	291
Total assets	838	917	1,052	1,147
Short term debt	0	0	0	0
Accounts payable (current)	190	180	212	244
Other credit balances (current)	195	187	187	139
Total current liabilities	385	367	400	383
Long term debt	0	0	0	0
Other credit balances (non-current)	N/A	N/A	N/A	N/A
Total non-current liabilities	49	54	54	53
Total net worth	404	496	599	711
Total equity	404	496	599	711
Total equity and liabilities	838	917	1,052	1,147

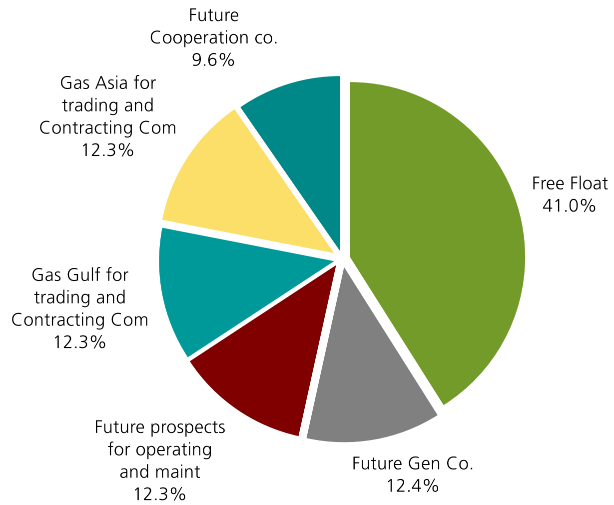
Source: Gas Arabian Services, EFG Hermes estimates

Cash Flow (Dec Year End)

In SARmn	2024a	2025e	2026e	2027e
Cash operating profit after taxes	92	121	161	197
Change in working capital	90	(115)	(60)	(107)
Cash flow after change in WC	182	6	102	91
CAPEX	(63)	(38)	(15)	(17)
Investments	(7)	9	(9)	(10)
Free cash flow	112	(23)	78	63
Non-operating cash flow	31	32	35	39
Cash flow before financing	143	9	113	102
Net financing	(61)	(44)	(78)	(109)
Change in cash	82	(34)	35	(6)

Source: Gas Arabian Services, EFG Hermes estimates

Ownership Structure (%)



Source:Gas Arabian Services, EFG Hermes estimates

Rating Distribution

Rating	Coverage Universe%
Buy	58%
Neutral	32%
Sell	10%
Not Rated	0%
Under Review	0%

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ACWA Power (2082.SE/ACWA AB)	Sell	SAR322.00
Abu Dhabi Ports (ADPORTS.AD/ADPORTS UH)	Buy	AED3.97
ADES Holding (2382.SE/ADES AB)	Buy	SAR15.14
ADNOC Drilling (ADNOCDRILL.AD/ADNOCDRI UH)	Buy	AED4.90
ADNOC Gas (ADNOCGAS.AD/ADNOCGAS UH)	Buy	AED3.17
ADNOC Logistics & Services (ADNOCLS.AD/ADNOCLS UH)	Buy	AED4.85
Alkhorayef Water & Power (2081.SE/AWPT AB)	Sell	SAR162.00
Arab Cotton Ginning (ACGC.CA/ACGC EY)	Buy	EGP9.77
Arabian Drilling Co (2381.SE/ARABIAND AB)	Buy	SAR86.40
Aramex (ARMX.DU/ARMX UH)	Buy	AED2.78
Asyad Shipping Company (ASCO.OM/ASCO OM)	Buy	OMR0.11
Canal Shipping (CSAG.CA/CSAG EY)	Neutral	EGP23.63
Dana Gas (DANA.AD/DANA UH)	Buy	AED0.74
DEWA (DEWAA.DU/DEWA UH)	Buy	AED2.68
Dhofar Generating Company (DGC) (DGEN.OM/DGEN OM)	Buy	OMR0.06
EK Holding (EKHO.CA/EKHO EY)	Buy	USD0.70
Elsewedy Electric (SWDY.CA/SWDY EY)	Buy	EGP82.00
EMPOWER (EMPOWER.DU/EMPOWER UH)	Buy	AED1.61
Gas Arabian Services (9528.SE/GAS AB)		SAR15.60
General Silos (GSSC.CA/GSSC EY)	Neutral	EGP153.47
Gulf Warehousing (GWCS.QA/GWCS QD)	Buy	QAR2.95
Integrated Holding Company (IHC) (INTG.KW/INTEGRAT KK)	Neutral	KWD0.57
Marafiq (2083.SE/MARAFIQ AB)	Buy	SAR43.80
Maridive (MOIL.CA/MOIL EY)	Buy	USD0.24
Nakilat (QGTS.QA/QGTS QD)	Buy	QAR4.58
NMDC Energy (NMDCENR.AD/NMDCENR UH)	Buy	AED2.50
NMDC Group (NMDC.AD/NMDC UH)	Buy	AED24.98
OQ Gas Networks SAOC (OQGN.OM/OQGN OM)	Buy	OMR0.13
Qatar Electricity & Water (QEWC) (QEWC.QA/QEWS QD)	Buy	QAR15.29
Riyadh Cables Group (4142.SE/RIYADHCA AB)	Sell	SAR127.20
Salik (SALIK.DU/SALIK UH)	Neutral	AED5.06
Saudi Aramco (2222.SE/ARAMCO AB)	Buy	SAR25.35
Tabreed (TABR.DU/TABREED UH)	Buy	AED2.55
TAQA (TAQA.AD/TAQA UH)	Sell	AED3.17