GIB CAPITAL جي آي بي كابيتال

Target Price: SAR44.5/share
Current Price: SAR50.4/share
Upside/(Downside): -11.7%
Rating: Underweight

Saudi Automotive Services Company (SASCO)

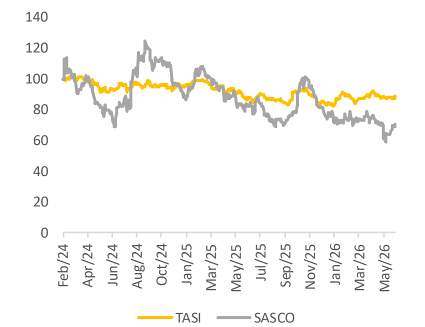
Margin pressure overshadows healthy topline momentum

- We expect core earnings to remain subdued in the near term due to increasing margin pressure and elevated finance costs, despite a healthy revenue CAGR of ~12% over 2025–28e, driven by sustained network expansion (~12% CAGR).
- However, we estimate ~SAR28mn fair value gain from xAI investment in 2026e, which should support headline earnings and offset weakness in the core business.
- After factoring in updated assumptions, we set our DCF-based TP at SAR44.5/sh., implying a downside of 11.7% and Underweight rating on the stock.

Stock data	
TASI ticker	4050
Mcap (SARmn)	3,528
Avg. Trd. Val (3m) (SARmn)	19.1
Free float	82.2%
QFI holding	6.6%
TASI FF weight	0.14%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

Topline growth outlook remains intact backed by continued expansion of stations… SASCO's network rollout remains healthy, with 78 new stations annually over 2024–25 (+13.6% CAGR), though fuel-volume growth lagged at ~6.8% CAGR as throughput per station fell (-4.1% CAGR) due to slower ramp-up, renovations, and likely cannibalization across select stations. Going forward, with company maintaining its expansion cadence, we assume 100 new stations annually during 2026-27e (in-line with guidance) and 90 in 2028e, taking the total fuel station count to 983 by 2028e, implying a 12.4% CAGR over 2025–28e. However, continued rollout, potential cannibalization, and ongoing refurbishments activities should keep throughput per station under pressure (-2% CAGR over 2025–28e). Even so, total fuel volumes are set to grow ~10.6%, translating into an ~11% fuel retail revenue CAGR over 2025–28e (vs. 12% previously). Further, SASCO Palm continues to scale at ~100 stores annually, reaching 600 stores (in line with the guidance) by 2028e and delivering a strong ~28% revenue CAGR over 2025-28e. Overall, we maintain our ~12% total revenue CAGR for 2025–28e, supported by network expansion despite near-term pressure on throughput, higher diesel prices in 2026e, and ~10% CAGR in transportation and SATA, alongside steady ~5% growth in Tadbeer.

… albeit at the cost of margin dilution: SASCO's margins remain structurally soft, with gross margin sliding from 3.2% in 2023 to 2.4% in 2025 and further reaching 1.6% in 1Q26, pressured by i) pre-operating costs, ii) slower station ramp-up, iii) unfavorable mix shift, iv) higher diesel prices, v) renovation downtime, and vi) temporary hits from construction activity, IFRS16 effects and higher transport and guarantee costs.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	10,187	11,804	13,253	14,957	16,616
Revenue growth	*12%*	*16%*	*12%*	*13%*	*11%*
Gross profit	290	280	260	334	379
Gross profit margin	*2.8%*	*2.4%*	*2.0%*	*2.2%*	*2.3%*
EBITDA	565	625	648	754	821
Operating Profit	174	179	156	223	258
Net profit*	44	64	5	26	43
Net profit growth	*-58%*	*45%*	*-93%*	*443%*	*65%*
Net profit margin	*0.4%*	*0.5%*	*0.0%*	*0.2%*	*0.3%*
EPS (SAR)	0.6	0.9	0.1	0.4	0.6
EV/EBITDA	9.5x	8.6x	8.3x	7.1x	6.6x
P/E	79.8x	54.9x	NM	137.0x	82.9x

*Source: Company data, GIB Capital, *After minorities, including FV gain on xAI investment. NM: not meaningful.*

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While we expect gross margin to improve modestly over the remaining quarters of 2026 as these one-off impacts fade, overall margin for 2026e is still likely to remain under pressure at 2%, due to ongoing expansion-related pre-operating costs, slower ramp-up, potential cannibalization across catchment areas, and intensifying competition. Beyond 2026e, we expect a gradual recovery in gross margin, reaching 2.3% by 2028e (previously 2.9%), aided by operating leverage as newer stations mature.

Near-term core earnings remain under pressure, with the xAI/SpaceX FV gain serving as the primary earnings support in 2026e: SASCO's underlying earnings quality deteriorated sharply through 2025–1Q26. Headline net profit of SAR64mn in 2025 masked a near-breakeven core profit of just ~SAR10mn once realized and unrealized fair value gains on investments are stripped out, while 1Q26 delivered an outright core net loss of SAR23.7mn. This deterioration was driven by compressing gross margins, elevated finance costs, and non-recurring items, including: i) a SAR5mn impact from existing non-performing stations, ii) a SAR4mn non-cash provision, and iii) a SAR4.2mn loss from a subsidiary. Even as these one-offs dissipate, the structural drag from pre-operating costs, slower station ramp-up, and the financing burden associated with an expanding balance sheet lead us to forecast a core net loss of SAR28mn for full-year 2026e (excluding likely fair value gains from its xAI/SpaceX investment), before profitability gradually resumes in 2027e. However, based on our estimates, the company is likely to recognize a SAR28mn fair value gain in 2026e (vs. SAR60.4mn in 2025) from its xAI/SpaceX investment, providing meaningful support to the bottom line. As a result, headline net profit is expected to reach SAR5mn in 2026e.

SASCO's xAI/SpaceX investment emerges as a meaningful contributor to earnings: During 2024, SASCO invested SAR30mn (USD8mn) in Elon Musk's artificial intelligence venture, xAI. SASCO recorded a fair value gain of SAR18.6mn on this investment in 2024 and a further SAR60.4mn in 2025 (recognized in the income statement as an unrealized fair value gain), bringing the total fair value of the investment to SAR108.2mn by the end of 2025. This position, held through an investment vehicle and classified as a financial asset at fair value, has since undergone a material re-rating event. In February 2026, SpaceX acquired xAI in an all-stock transaction valuing xAI at USD250bn and the combined entity at USD1.25tn. With SpaceX now targeting a Nasdaq IPO under the ticker SPCX at a valuation of USD1.75-2.0tn, SASCO's modest balance sheet line item warrants a closer look. Based on the recent transaction, the IPO valuation range, and a back-of-the-envelope estimate of SASCO's implied ownership percentage, our calculations suggest that the fair value of SASCO's investment could rise to ~SAR136mn following the SpaceX IPO, implying a likely additional fair value gain of ~SAR28mn in 2026e.

Recap of 1Q26 results: SASCO reported revenue of SAR3,021mn, marking a 9.5% y/y increase (broadly in line with our estimate of SAR3,179mn and consensus: SAR3,248mn). Growth was driven by station expansion (15% y/y) and higher diesel prices, resulting in 6% volume growth (partly dragged down by weaker throughput), with gasoline volumes reaching 1.1bn liters (+6% y/y; GIBCe of 1.1bn liters) and diesel volumes rising to 416mn liters (+7% y/y; GIBCe of 469mn liters). However, despite healthy topline growth, gross profit declined sharply to SAR47mn (-36% y/y; GIBCe: SAR74mn), with gross margin contracting to a record low of 1.6% (vs. GIBCe of 2.3%) from 2.7% in 1Q25. Margin pressure was driven by higher cost of sales due to ongoing expansion, infrastructure upgrades, temporary station closures, and higher diesel prices. Consequently, operating profit declined 59.5% y/y to SAR19.8mn, further weighed down by higher ECL provisions and lower other incomes. As a result, the company reported a net loss of SAR23.7mn, compared with our estimated profit of SAR4.9mn (consensus: SAR5.5mn profit).

Figure 2: 1Q26 result

SARmn	1Q26	1Q25	y/y %	4Q25	q/q %	GIBC est.	Variance %
Revenues	**3,021**	**2,760**	**9.5%**	**3,104**	**-2.7%**	**3,179**	**-5.0%**
Cost of sales	2,974	2,686	10.7%	3,044	-2.3%	3,105	-4.2%
Gross profit	**47**	**74**	**-36.3%**	**60**	**-21.0%**	**74**	**-36.2%**
Opex	28	26	8.0%	33	-17.6%	23	19.0%
EBIT	**20**	**49**	**-59.5%**	**26**	**-25.4%**	**51**	**-61.2%**
Net income	**(24)**	**4**	**NM**	**22**	**NM**	**5**	**NM**
Margins							
Gross margin	1.6%	2.7%		1.9%		2.3%	
EBIT margin	0.7%	1.8%		0.9%		1.6%	
Net margin	-0.8%	0.2%		0.7%		0.2%	

Source: Tadawul, GIB Capital

Valuation and Risks: Following downward revisions to our gross margin estimates and slightly lowering throughput-per-site, we lower our TP to SAR44.5/sh (SAR48/sh earlier), based on a DCF valuation using a WACC of 8.3% and terminal growth of 2.5%. This implies a downside of 11.7% and an Underweight rating on the stock. The key downside risks include further deterioration in throughput per station from slower-than-expected ramp-up of newly added sites, higher Saudization costs and regulatory changes, and one-off costs such as goodwill write-offs and related profit volatility.

Upward revision in regulated fuel margin to act as key upside catalyst: KSA's regulated fuel retail market continues to operate under fixed margins that have remained unchanged since the 2018–19 revision. Following stricter station upgrade and quality compliance requirements introduced by regulators, fuel retailers, including SASCO, have incurred higher refurbishment and operating costs, increasing market expectations of a potential upward revision in regulated fuel margins. Notably, 86% of SASCO's stations are either owned or leased, providing the company with greater exposure to any potential increase in regulated fuel margins compared with certain other players in the sector, representing an upside risk to our valuation. However, in the absence of any official announcement and given limited visibility on timing, our model conservatively assumes current margin levels remain unchanged. **To illustrate the potential impact of a fuel margin revision, we present sensitivity analysis on EPS and gross margin (Figures 3 and 4).**

Figure 3: 2027e gross margin sensitivity to fuel margin hike

Diesel Margin (SAR/liter)	Octane 91/95/98 Margin (SAR/liter)			
	0.15	**0.16**	**0.17**	**0.18**
0.05	2.2%	2.5%	2.9%	3.2%
0.06	2.3%	2.6%	2.9%	3.2%
0.06	2.4%	2.7%	3.0%	3.3%
0.07	2.4%	2.7%	3.1%	3.4%

Source: GIB Capital

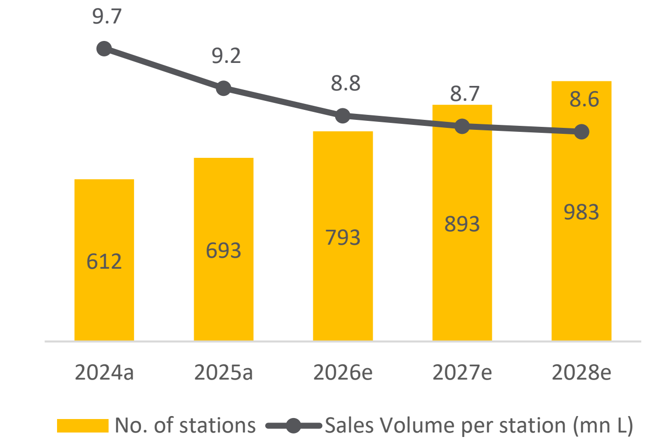
Figure 4: 2027e EPS (SAR) sensitivity to fuel margin hike

Diesel Margin (SAR/liter)	Octane 91/95/98 Margin (SAR/liter)			
	0.15	**0.16**	**0.17**	**0.18**
0.05	0.37	0.92	1.48	2.04
0.06	0.49	1.04	1.60	2.16
0.06	0.60	1.16	1.72	2.28
0.07	0.72	1.28	1.84	2.39

Source: GIB Capital

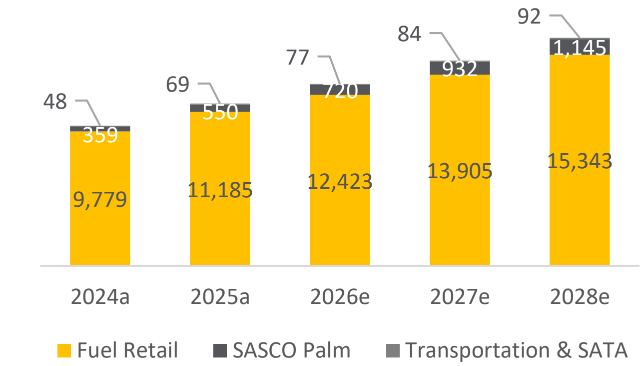
Financial analysis in charts

Figure 5: No. of fuel stations and sales volume per station



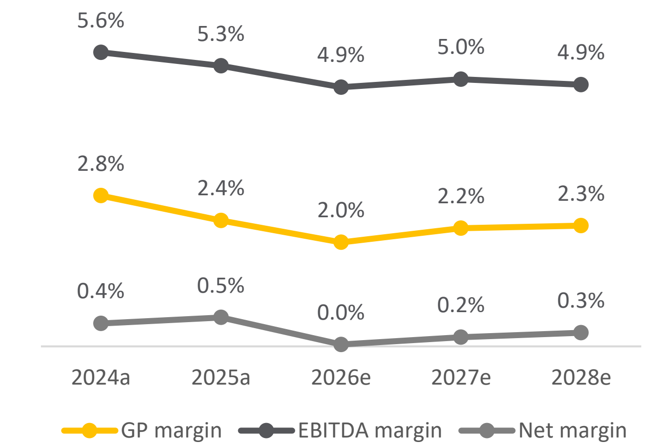
Source: Company data, GIB Capital

Figure 6: Revenue breakup (SARmn)



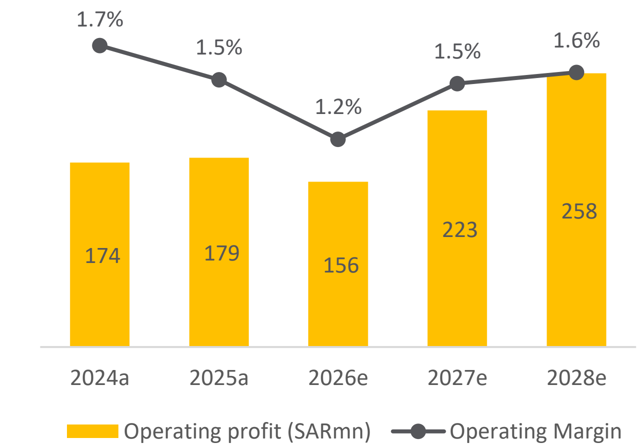
Source: Company data, GIB Capital

Figure 7: Margin trend



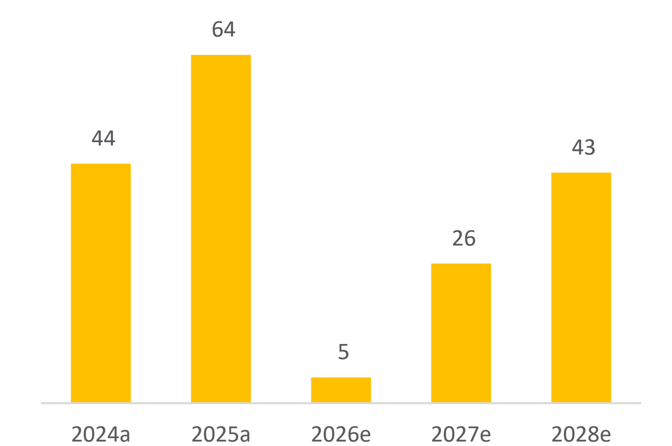
Source: Company data, GIB Capital

Figure 8: Operating profit (SARmn)



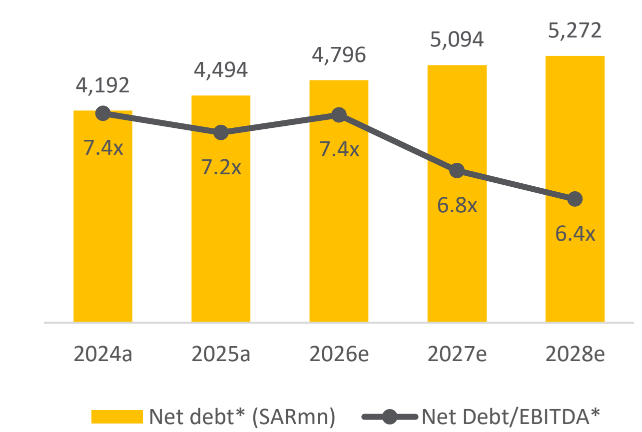
Source: Company data, GIB Capital

*Figure 9: Net income (SARmn)**



*Source: Company data, GIB Capital, *Including FV gain on xAI investment*

Figure 10: Leverage trend



*Source: Company data, GIB Capital, *net debt includes lease liabilities*

Summarized Financial statements

Figure 11: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e	2028e
Revenue	**10,187**	**11,804**	**13,253**	**14,957**	**16,616**
revenue y/y	*12%*	*16%*	*12%*	*13%*	*11%*
COGS	9,897	11,524	12,993	14,623	16,238
Gross Profit	**290**	**280**	**260**	**334**	**379**
Gross Profit margin	*2.8%*	*2.4%*	*2.0%*	*2.2%*	*2.3%*
Selling and distribution expenses	8	7	8	9	10
General and administrative expenses	106	105	103	106	115
Expected credit loss/(reversal)	4	14	9	10	10
Other income	2	24	16	14	14
Operating profit	**174**	**179**	**156**	**223**	**258**
Operating margin	*1.7%*	*1.5%*	*1.2%*	*1.5%*	*1.6%*
Finance costs	181	215	224	237	252
Other	60	104	78	45	43
PBT	**53**	**67**	**10**	**31**	**50**
Zakat/tax	3	-1	4	3	4
Non-controlling interests	5	4	0	2	3
Net income attributable to equity holders*	**44**	**64**	**5**	**26**	**43**
Net margin	*0.4%*	*0.5%*	*0.0%*	*0.2%*	*0.3%*
y/y	*-62%*	*38%*	*-92%*	*440%*	*65%*
EPS	**0.6**	**0.9**	**0.1**	**0.4**	**0.6**
DPS	0.3	0.0	0.0	0.0	0.0
Payout	40%	0%	0%	0%	0%
EBITDA	**565**	**625**	**648**	**754**	**821**
Net debt (w/o lease liabilities)	1,548	1,649	1,699	1,797	1,876
Net debt (w/ lease liabilities)	4,192	4,494	4,796	5,094	5,272

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Inventories	131	180	196	220	245
Trade receivables	149	170	182	205	228
Cash and cash equivalents	129	192	222	174	195
Prepaid and other assets	91	147	147	147	147
Other current assets	46	39	4	4	4
Restricted bank balances	50	50	50	50	50
Total Current Assets	**597**	**777**	**799**	**799**	**867**
Property, plant and equipment	2,097	2,254	2,352	2,491	2,616
Right of use asset	2,442	2,640	2,935	3,207	3,394
Goodwill	492	496	496	496	496
Intangible assets	8	22	22	22	22
Projects under progress	202	172	165	166	164
Investments	473	518	518	518	518
Investment properties	138	139	140	140	140
Total Non-Current Assets	**5,852**	**6,242**	**6,628**	**7,040**	**7,350**
Total Assets	**6,449**	**7,019**	**7,427**	**7,839**	**8,217**
Current Liabilities	1,661	1,924	2,029	2,191	2,338
Non-current Liabilities	3,829	4,063	4,361	4,583	4,768
Equity	959	1,032	1,037	1,065	1,111
Total Equity and Liabilities	**6,449**	**7,019**	**7,427**	**7,839**	**8,217**
BVPS	13.7	14.7	14.8	15.2	15.9

*Source: Company, GIB Capital, *including FV gain on xAI investment*

Cashflow	2024a	2025a	2026e	2027e	2028e
Cashflow from Operations	651	623	765	882	946
Cashflow from Investing	-394	-209	-211	-305	-297
Cashflow from Financing	-261	-352	-524	-625	-628
Total Cashflows	**-4**	**62**	**30**	**-48**	**21**

Source: Company, GIB Capital

Figure 12: Key ratios

Key ratios	2024a	2025a	2026e	2027e	2028e
Profitability ratios					
RoA	1%	1%	0%	0%	1%
RoE	5%	6%	0%	2%	4%
Net margin	0.4%	0.5%	0.0%	0.2%	0.3%
Liquidity ratios					
Current Assets/ Current Liabilities	0.4	0.4	0.4	0.4	0.4
Debt to Total Equity (w/ IFRS liab.)	4.5	4.5	4.8	4.9	4.9
Receivable Days	5	5	5	5	5
Inventory Days	5	6	6	6	6
Payable days	32	29	30	30	30
Cash conversion cycle	-22	-18	-20	-20	-20
Debt ratios					
Net Debt/EBITDA*	7.4	7.2	7.4	6.8	6.4
Debt/Assets	0.7	0.7	0.7	0.7	0.7
Net Debt/Equity*	4.4	4.4	4.6	4.8	4.7
Valuation ratios					
P/E	79.8	54.9	NM	137.0	82.9
P/B	3.7	3.4	3.4	3.3	3.2
EV/EBITDA	9.5	8.6	8.3	7.1	6.6
FCF Yield	-1.5%	3.2%	1.7%	2.7%	3.7%
Dividend Yield	0.5%	0.0%	0.0%	0.0%	0.0%

*Source: Company data, GIB Capital, *net debt includes lease liabilities. NM: not meaningful*

Disclaimer

We use a rating system based on potential upside, 1 year from today, based on our valuation models. For "Overweight" ratings, the estimated upside is >10%, for "Underweight", the estimated downside is <10%. For returns in between +/-10%, we have a Neutral rating.

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