

Target Price: SAR48.0/share
Current Price: SAR53.0/share
Upside: -9.4% (+Div. Yield: 0.8%)
Rating: Neutral

Saudi Automotive Services Company (SASCO)

Lower throughput per site to impact margins

- SASCO's aggressive expansion fuels top-line growth, but slower station ramp-up keeps per-site yields under pressure.
- Margins are expected to remain under pressure, mainly due to weak throughput per site and higher costs related to the expansion.
- Post revision in our estimates, we revise our TP to SAR48.0/sh, based on the DCF valuation, implying a downside of 9.4%. We remain Neutral on the stock.

SASCO faces pressure from slower ramp-up of new stations... SASCO has been aggressively expanding its network, adding 75 new fuel stations (+14%) in 2024 and aiming for an additional 89 new stations (+73 expected) by 2025e and 100 new stations annually till 2028e. However, throughput per station dropped by 8% in 2H24 and by a further 7% in 1H25, reflecting a slower-than-expected ramp-up of newly added sites. Accordingly, despite an expected 13% CAGR in fuel network expansion, we expect the yield per site to remain under pressure, declining at a CAGR 3% over 2024-27e, resulting in a sales volume CAGR of 10% and fuel station revenue CAGR of 11.8% during the same period. Meanwhile, non-fuel revenue from SASCO Palm stores is expected to increase at a CAGR of 39% over 2024-27e, driven by a higher number of Palm convenience stores (target of 300 by 2025e and 600 by 2028e vs. 200 in 2024), enabling SASCO to diversify its revenue streams. Overall, we expect the top-line to grow at a CAGR of ~13% over 2024-27e.

...and weaker margin on higher expansion-related costs: Despite expansion, the gross profit per site has been under pressure, dropping 13% y/y in 1H25, mainly due to weaker throughput per site and higher overhead costs associated with the network expansion, resulting in a weaker margin. Accordingly, we expect gross margins to remain under pressure in the near-term, averaging 2.7% over 2025-26e (5Y average: ~4%). In addition, higher financing costs (28% y/y in 1H25), tied to lease-backed expansion, are expected to further weigh on earnings, resulting in a net profit CAGR of ~11%, with a thin net margin of ~0.4% over 2024-27e, which raises a possibility of long-awaited regulated margin hike (although the timing remains uncertain).

Figure 1: Key financial metrics

SARmn	2023a	2024a	2025e	2026e	2027e
Revenue	9,113	10,187	11,598	13,076	14,735
Revenue growth	16%	12%	14%	13%	13%
Gross profit	293	290	313	357	411
Gross profit margin	3.2%	2.8%	2.7%	2.7%	2.8%
EBITDA	513	563	642	722	800
Operating Profit	169	174	211	244	281
Net profit attributable to equity holders	105	44	53	54	60
Net profit margin	1.2%	0.4%	0.5%	0.4%	0.4%
EPS (SAR)	1.5	0.6	0.8	0.8	0.9
DPS (SAR)	1.1	0.3	0.4	0.4	0.5
P/E	35.2x	83.9x	69.9x	69.0x	61.4x

Source: Company data, GIB Capital

Stock data	
TASI ticker	6015
Mcap (SARmn)	3,710
Avg. Trd. Val (3m) (SARmn)	12.0
Free float	82.2%
QFI holding	6.4%
TASI FF weight	0.16%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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Recap of 2Q25 result: SASCO's revenues increased by 15.6% y/y in 2Q25, reaching SAR2,875mn, in line with our estimates. The increase in top-line was mainly driven by an ~8% rise in sales volume on a higher number of fuel stations (625 from 562 in 2Q24), an increase in SASCO Palm stores (239 vs. 150 in 2Q24), and an increase in diesel prices. However, despite a healthy top-line growth, gross profit remained largely unchanged, with gross margin declining from 3.1% in 2Q24 to 2.7% (2.8% expected), weighed down by weak throughput per station for the newly opened station and higher costs related to expansion. Nonetheless, lower G&A and higher other income pushed the operating profit by 16% y/y, reaching SAR53mn (largely in line). Further, SASCO reported a gain from a change in the fair value of financial assets worth SAR25mn, enabling it to offset increased financial costs. Accordingly, 2Q25 earnings reached SAR30mn (+131% y/y), beating our estimates. If we were to adjust the impact of this one-off fair value gain, then the adjusted earnings would have missed our estimate by over 50%, largely due to higher-than-expected finance costs.

Figure 2: 2Q25 result summary

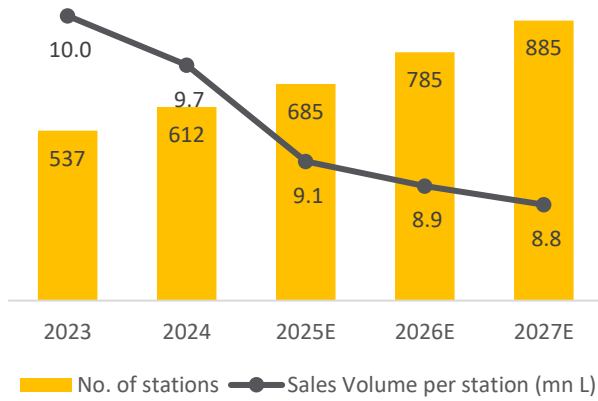
SARmn	2Q25	2Q24	y/y %	1Q25	q/q %	GIBC est.	Variance %
Revenues	2,875	2,487	15.6%	2,760	4.1%	2,868	0.2%
Cost of Goods	2,798	2,410	16.1%	2,686	4.2%	2,786	0.4%
Gross Profit	77	77	0.1%	74	3.2%	82	-5.9%
Opex	24	31	-23.6%	26	-7.8%	27	-11.8%
Operating Profit	53	46	16.1%	49	8.9%	55	-3.1%
Net Income	30	13	131.1%	4	NM	11	161.6%
Adj. net Income*	5.1	11.9	-57.7%	6.2	-18.8	11.3	-55.5%
Gross Margin	2.7%	3.1%		2.7%		2.8%	
Operating Margin	1.8%	1.8%		1.8%		1.9%	
Net Profit Margin	1.0%	0.5%		0.2%		0.4%	

Source: Tadawul, GIB Capital NM: not meaningful. * Adjusted for one-off change in fair value gain

Valuation and Risks: Post lowering our throughput per site and margin estimates, we revise our TP to SAR48/sh. based on the DCF valuation using the WACC of 8% and terminal growth of 2.5%, implying a downside of 9.4% and remaining Neutral on the stock. We note that SASCO is currently trading at a P/E of 69.0x on our 2026e EPS, significantly higher than its closest local peer, Aldress (25.5x; non-covered), indicating a premium valuation. The key downside risks include aggressive expansion by competition/new entrants, any detrimental regulatory change (e.g. increased capex requirements), higher Saudization targets, a downward revision of fuel gross margin, one-off costs such as goodwill write-off and related profit volatility, and shift to EV.

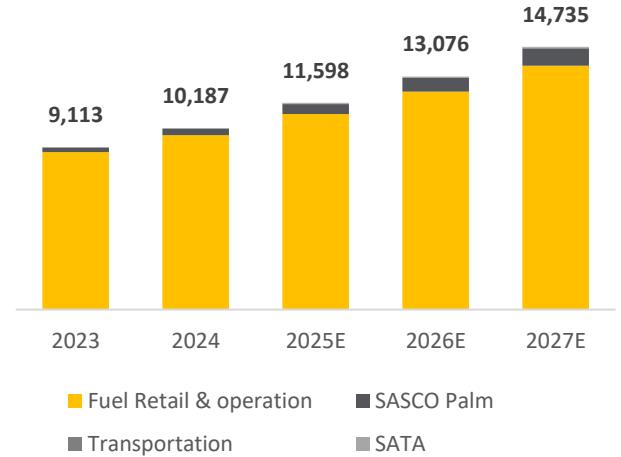
Financial analysis in charts

Figure 3: No. of fuel stations and sales volume per station



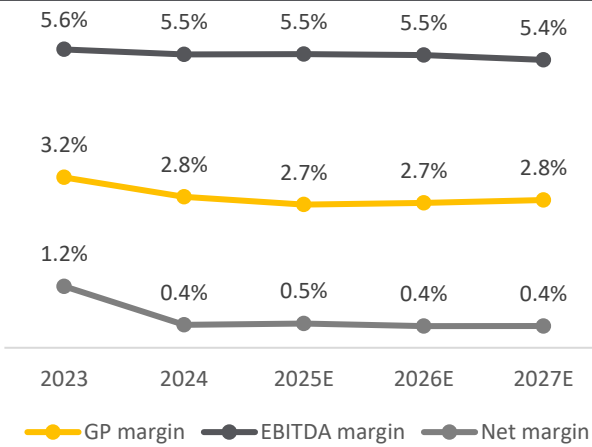
Source: Company data, GIB Capital

Figure 4: Revenue breakup (SARmn)



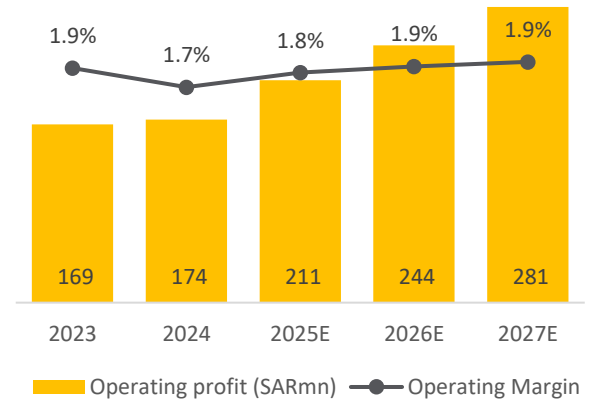
Source: Company data, GIB Capital

Figure 5: Margin trend



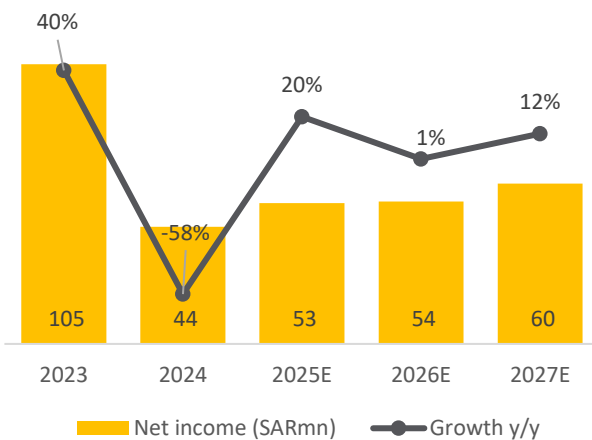
Source: Company data, GIB Capital

Figure 6: Operating profit (SARmn)



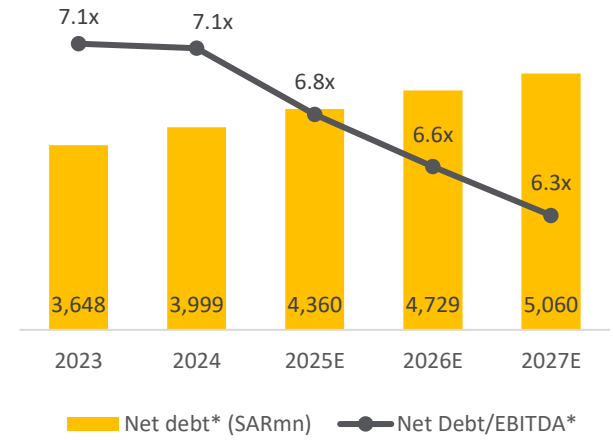
Source: Company data, GIB Capital

Figure 7: Net income (SARmn)



Source: Company data, GIB Capital

Figure 8: Leverage trend



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

Summarized Financial statements

Figure 9: Summarized basic financial statements (SARmn)

Income statement	2023a	2024a	2025e	2026e	2027e
Revenue	9,113	10,187	11,598	13,076	14,735
revenue y/y	16%	12%	14%	13%	13%
COGS	8,820	9,897	11,285	12,719	14,324
Gross Profit	293	290	313	357	411
Gross Profit margin	3.2%	2.8%	2.7%	2.7%	2.8%
Selling and distribution expenses	5	8	9	10	11
General and administrative expenses	110	106	109	123	139
Expected credit loss/(reversal)	9	4	4	0	0
Other income	0	-16	-20	-20	-20
Operating profit	169	174	211	244	281
Operating margin	1.9%	1.7%	1.8%	1.9%	1.9%
Finance costs	159	181	211	225	237
Other	126	60	60	43	27
PBT	136	53	60	63	71
Zakat/tax	6	3	3	3	4
Non-controlling interests	25	5	4	6	7
Net income attributable to equity holders	105	44	53	54	60
Net margin	1.2%	0.4%	0.5%	0.4%	0.4%
y/y	54%	-62%	16%	4%	12%
EPS	1.5	0.6	0.8	0.8	0.9
DPS	1.1	0.3	0.4	0.4	0.5
Payout	71%	40%	55%	55%	55%
EBITDA	513	563	642	722	800
Net debt (w/o lease liabilities)	1,207	1,355	1,543	1,620	1,718
Net debt (w/ lease liabilities)	3,648	3,999	4,360	4,729	5,060

Balance Sheet	2023a	2024a	2025e	2026e	2027e
Inventories	109	131	186	209	235
Trade receivables	127	149	191	215	242
Cash and cash equivalents	183	129	141	264	366
Prepaid and other assets	101	91	91	91	91
Derivative Financial instruments	2	1	1	1	1
Total Current Assets	522	597	655	825	981
Property, plant and equipment	2,009	2,097	2,235	2,245	2,271
Right of use asset	2,283	2,442	2,637	2,982	3,293
Good will	492	492	492	492	492
Investment at fair value	150	175	175	175	175
Investment in debt instruments	250	250	250	250	250
Other non-current assets	258	396	442	553	655
Total Non-Current Assets	5,442	5,852	6,232	6,697	7,135
Total Assets	5,964	6,449	6,886	7,522	8,117
Current Liabilities	1,426	1,661	1,774	1,930	2,092
Non-current Liabilities	3,537	3,829	4,125	4,574	4,974
Equity	1,001	959	987	1,017	1,051
Total Equity and Liabilities	5,964	6,449	6,886	7,522	8,117
BVPS	14.3	13.7	14.1	14.5	15.0

Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	618	651	640	828	897
Cashflow from Investing	-293	-394	-325	-270	-285
Cashflow from Financing	-751	-261	-353	-435	-510
Total Cashflows	-426	-4	-38	123	102

Source: Company, GIB Capital

Figure 10: Key ratios

Key ratios	2023a	2024a	2025e	2026e	2027e
Profitability ratios					
RoA	2%	1%	1%	1%	1%
RoE	11%	5%	5%	5%	6%
Net margin	1.2%	0.4%	0.5%	0.4%	0.4%
Liquidity ratios					
Current Assets/ Current Liabilities	0.4	0.4	0.4	0.4	0.5
Debt to Total Equity (w/ IFRS liab.)	3.8	4.3	4.6	4.9	5.2
Receivable Days	5	5	6	6	6
Inventory Days	5	5	6	6	6
Payable days	33	32	29	29	29
Cash conversion cycle	-24	-22	-17	-17	-17
Debt ratios					
Net Debt/EBITDA*	7.1	7.1	6.8	6.6	6.3
Debt/Assets	0.6	0.6	0.7	0.7	0.7
Net Debt/Equity*	3.6	4.2	4.4	4.6	4.8
Valuation ratios					
P/E	35.2	83.9	69.9	69.0	61.4
P/B	3.7	3.9	3.8	3.6	3.5
EV/EBITDA	10.8	9.8	8.6	7.7	6.9
FCF Yield	-2.3%	-1.5%	-1.5%	3.6%	3.9%
Dividend Yield	2.0%	0.5%	0.8%	0.8%	0.9%

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

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