Daily Bulletin

September 7, 2026

Flynas exits SGS, takes 10% stake in Swissport Saudi Arabia

Saudi Ground Services Co. (SGS) received a termination notice from flynas for its ground handling services agreement, as flynas shifts its ground handling operations to Swissport Saudi Arabia Limited, alongside acquiring a 10% equity stake in the company. The termination will become effective from 6th March, 2027 following a six-month notice period. SGS will continue providing ramp and passenger services to flynas across all airports in the Kingdom until then, with no financial impact expected in 2026. The contract was renewed in 2024 for 5 years, running from Jan-24 to Dec-28, with an estimated value of SAR 2.0 bn.

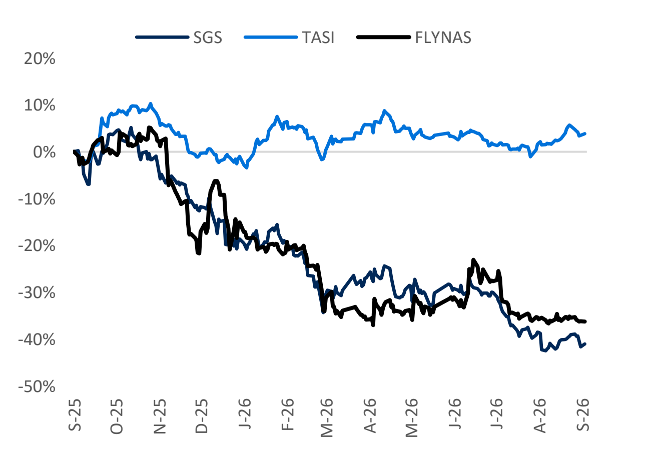
SGS disclosed that the contract generated SAR 151.5 mn in 1H26 and is expected to contribute SAR 306.0 mn for full-year 2026, equivalent to 11.2% of SGS revenue of SAR 2,729.7 mn in 2025. Based on the original implied annual contract value of SAR 400 mn, the early termination could reduce revenue by around SAR 333.3 mn during Mar-Dec 2027.

SGS handled around 818,530 flights in 2025, representing market share of 83.5% of the total 979,800 flights in Saudi Arabia. Flynas accounted for 13.3% of airline activity in the Kingdom during 2025, implying around 130,300 flights, equivalent to roughly 15.9% of SGS' total handled flights, assuming these flights were handled by SGS under the nationwide contract. The termination therefore represents a meaningful reduction in operating volumes from Mar-27 onwards. However, Saudi Arabia's target of 330 mn passengers by 2030, supported by continued growth in the aviation sector and a strong aircraft order book of 373 aircraft (excluding flynas' 280 aircraft order book), will help to mitigate the impact of the flynas contract termination in medium to long term.

Flynas has agreed to acquire a 10% equity interest in Swissport Saudi Arabia Limited for SAR 50.0 mn, with a call option to acquire an additional 10% stake upon renewal of the ground handling agreement. This acquisition will be funded from internal resources and represents around 1.4% of its SAR 3.7 bn cash balance as of 2Q26. Along with the transaction, flynas entered into a five-year ground handling agreement with Swissport Saudi Arabia, effective from 6 March 2027, covering all commercial airports in the Kingdom. The annual purchase volume under the agreement is expected to represent around 5% of flynas' 2025 annual revenue. Based on flynas' 2025 revenue of SAR 7.8 bn, this implies annual ground handling spend of around SAR 390 mn, broadly in line with the SAR 400 mn annual value implied by SGS' existing contract.

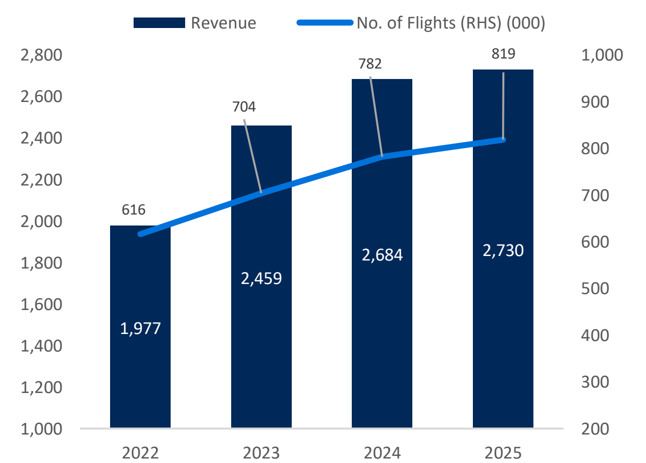
SGS stock is down 41.0% YoY, underperforming TASI, which gained 3.9% over the same period. SGS is currently trading at a 2026e P/E multiple of 14.7x, with a consensus target price of SAR 39.2/share, implies 47.9% potential upside from the last close. Flynas stock dropped 36.2% YoY. The consensus target price of SAR 64.3/share, implying a 30.7% potential upside from last close.

Relative price chart



Source: Bloomberg, anbc research

SGS key financials (SAR mn)



Source: Company accounts, anbc research

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