

## Daily Bulletin

August 7, 2025

- > *SGS announces 2Q25 results, posting EPS of SAR 0.53/share*
- > *IMF: Saudi Arabia's economy has demonstrated strong resilience to shocks*

### SGS 2Q25 net profit up by 27%

SGS reported a 2Q25 net profit of SAR 99.4 mn, up 26.7% YoY (+1.8% QoQ), bringing the 1H25 net profit to SAR 197.0 mn, a 31.7% YoY increase. The improvement was primarily driven by a SAR 23.8 mn reduction in impairment losses versus 2Q24, supported by ongoing collection efforts, including an impairment reversal of SAR 4.4 mn during the quarter.

Revenue remained stable on a yearly basis, inching up 0.4% YoY to SAR 688.9 mn (+2.6% QoQ), bringing 1H25 revenue to SAR 1,360.4 mn, up 1.5% YoY. The growth was supported by increased international and domestic flight operations, including a rise in Hajj and Umrah traffic. During the 2025 Hajj season, the company handled 21.7k flights, served 3.7 mn pilgrims, and managed 4.4 mn pieces of baggage. Gross profit declined 4.1% YoY to SAR 138.0 mn (-15.5% QoQ), with gross margins narrowing to 20.0% from 21.0% in 2Q24.

Driven by the company's productivity enhancement and expense rationalization efforts, administrative costs declined 9.3% YoY (SAR 5.9 mn) in the quarter.

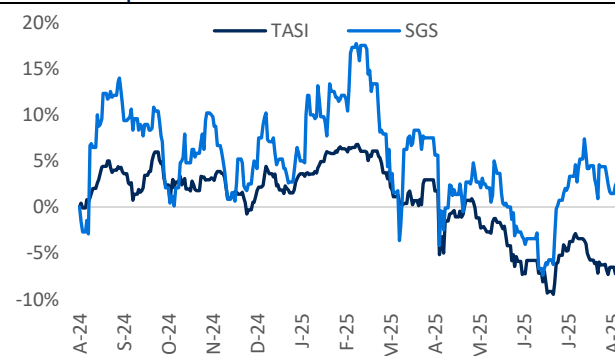
SGS is trading at SAR 48.2/sh, up 0.4% YoY, outperforming TASI's 6.3% decline over the same period. The stock is trading at a TTM P/E of 25.6x, with a consensus target price of SAR 52.0/sh, implying a potential upside of 7.9% from the last close on 6<sup>th</sup> Aug-25.

#### SGS financials (SAR mn)

	2Q25	2Q24	YoY(%)	1Q25	QoQ(%)
Revenue	689	687	0	671	3
COGS	(551)	(543)	2	(508)	8
<b>Gross profit</b>	<b>138</b>	<b>144</b>	<b>-4</b>	<b>163</b>	<b>-15</b>
Gross margin (%)	20	21		24	
<b>Operating profit</b>	<b>97</b>	<b>73</b>	<b>33</b>	<b>97</b>	<b>0</b>
Opt. margin (%)	14	11		14	
<b>Net income</b>	<b>99</b>	<b>78</b>	<b>27</b>	<b>98</b>	<b>2</b>
Net margin (%)	14	11		15	
<b>EPS</b>	<b>0.53</b>	<b>0.42</b>	<b>27</b>	<b>0.52</b>	<b>2</b>

Source: Company financials, anbc research

#### Relative price chart



Source: Bloomberg, anbc research

## **IMF: Despite heightened uncertainty and declining commodity prices, the outlook remains strong**

IMF released Saudi Arabia's consultation press release and staff report on August 4, 2025. The report highlighted KSA economy's performance, outlook, and key risks.

The report mentioned that KSA experienced minimal impact of on economy, despite spillovers from the Red Sea tension and regional conflicts. The non-oil GDP (based on new methodology) grew by 4.5% in 2024, with retail, hospitality, and construction leading the way. Non-oil private investment grew 6.3% YoY, in line with growth of 2023.

Additionally, IMF highlighted that inflation is contained as rent inflation continues to decelerate, reaching 2.2% in May. Inflation remains moderate, supported by tight financial conditions due to elevated real interest rates. Decreasing costs in transportation and communication have helped offset the rise in housing rent prices. Real wage growth has been flat overall, although wages in service industries and for highly skilled workers increased by about 6% in real terms.

The unemployment rate for Saudi nationals dropped to a record low of 7% in the 4Q 2024. This milestone came earlier than planned, ahead of the original Vision 2030 goal, which has now been updated to 5%. Private sector jobs grew by 12% on average in 2024, mainly driven by more women joining the workforce. At the same time, the construction sector saw an impressive increase of 24% in its workers, mostly due to non-Saudi employees.

The report noted that banking system of Saudi Arabia showed strong capital and profits despite higher funding costs. By the end of 2024, the banking sector was well-capitalized, with the total regulatory capital ratio at 19.6% and the Tier 1 capital ratio at 18.3% of risk-weighted assets. Even though funding costs rose because of more time and saving deposits, banks remained profitable. Return on assets was 2.2%, and return on equity was 15%, as banks passed the higher rates on to borrowers. Asset quality is healthy, with nonperforming loans dropping to 1.2% of total loans, the lowest level since 2016. Liquidity levels are sufficient, but the ratio of liquid assets to short-term liabilities has been going down.

### **Saudi Arabia: Selected Economic Indicators**

	2023	2024	2025P	2026P	2027P	2028P	2029P	2030P
Real GDP growth (%)	0.5	2	3.6	3.9	3.5	3.4	3.3	3.3
Oil real GDP	-9	-4.4	4	4.9	2.8	2.8	2.7	2.8
Non-oil real GDP	5.8	4.5	3.4	3.5	3.8	3.6	3.5	3.5
CPI inflation (% average)	2.3	1.7	2.1	2	2	2	2	2
Current account balance (% of GDP)	2.9	-0.5	-2.6	-3	-3.4	-3.3	-3.2	-3.2
SAMA's NFA holding (USD Bn)	417	415	419	422	420	422	428	437
In months of imports	15.8	14.9	14.1	13.3	12.6	12.2	11.8	12.1

Source: IMF, anb research

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