

Earnings Beat on Margin Expansion

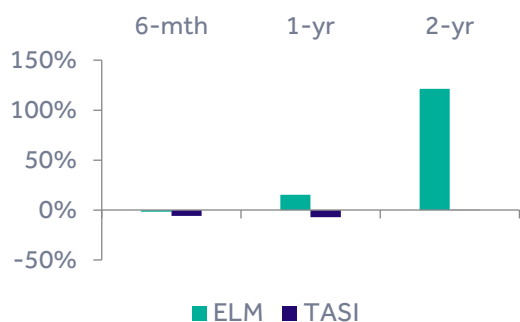
May 11, 2025

Upside to Target Price	13.9%	Rating	Neutral
Expected Dividend Yield	0.9%	Last Price	SAR 1,040.00
Expected Total Return	14.8%	12-mth target	SAR 1,185.00

Market Data	
52-week high/low	SAR 1,289.0/796.8
Market Cap	SAR 83,200 mln
Shares Outstanding	80 mln
Free-float	33.00%
12-month ADTV	74,374
Bloomberg Code	ELM AB

Elm	1Q2025	1Q2024	Y/Y	4Q2024	Q/Q	RC Estimate
Sales	1,877	1,639	15%	2,129	(12%)	2,026
Gross Profit	773	624	24%	843	(8%)	793
Gross Margins	41%	38%		40%		39%
Operating Profit	471	334	41%	408	15%	448
Net Profit	495	345	43%	497	(0%)	457

(All figures are in SAR mln)



- Elm reported SAR 1.88 bln in topline for the quarter (up +15% Y/Y, but down -12% Q/Q), slightly below our SAR 2.03 bln estimate. Y/Y increase was driven by growth across all segments, Digital Business (DB) rose +18% (adding SAR 212 mln), Professional Services (PS) surged +48% (adding SAR 15 mln), and Business Process Outsourcing (BPO) grew +2.5% (adding SAR 11 mln). Q/Q decrease was driven by all segments as well, with DB, PS, and BPO down -14%, -22%, and -2.4%, respectively.
- Gross margin for the quarter stood at 41%, above 38% last year and 40% last quarter, and ahead of our estimate. The stronger margin supported a +24% Y/Y rise in gross profit to SAR 773 mln, while Q/Q gross profit declined only -8%, less than the revenue drop.
- OPEX came in better than expected at SAR 302 mln, up +4% Y/Y but improving by -31% Q/Q, mainly due to lower ECL. Consequently, operating profit surged +43% Y/Y and +15% Q/Q, despite the Q/Q revenue drop.
- Net profit came in at SAR 495 mln (+43% Y/Y, -0.4% Q/Q), beating market consensus of SAR 450 mln and our SAR 457 mln estimate. This was supported by net other income of SAR 24 mln, compared to SAR 11 mln last year and SAR 89 mln last quarter, as last quarter included gains from asset disposals. The company secured a SAR 1.9 bln financing facility in March to fund its acquisition of Thiqah Co., and announced the completion of the transaction in April. The financial impact will reflect starting from 2Q2025. We maintain our SAR 1,185.00 target price with a Neutral rating.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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