

**Margins Drive Strong Earnings Beat**

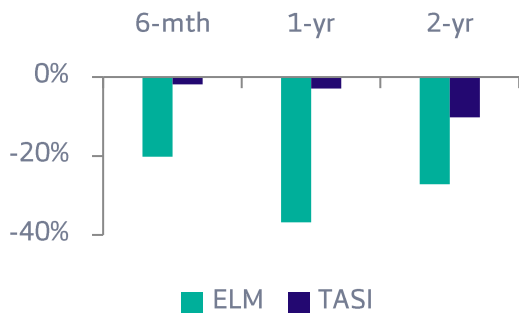
May 10, 2026

Upside to Target Price	21.7%	Rating	Buy
Expected Dividend Yield	1.5%	Last Price	SAR 657.50
Expected Total Return	23.2%	12-mth target	SAR 800.00

Market Data	
52-week high/low	SAR 1,090.0/504.5
Market Cap	SAR 52,600 mln
Shares Outstanding	80 mln
Free-float	33%
12-month ADTV	97,100
Bloomberg Code	ELM AB

Elm	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	2,472	1,877	32%	2,808	(12%)	2,414
Gross Profit	1,049	772	36%	969	8%	985
Gross Margins	42%	41%		35%		41%
Operating Profit	612	471	30%	462	32%	542
Net Profit	656	495	33%	446	47%	536

(All figures are in SAR mln)



- Elm reported 1Q2026 revenues of SAR 2.47 bln (+32% Y/Y, -12% Q/Q), in line with our SAR 2.41 bln estimate. Growth was primarily driven by the consolidation of Thiqah, completed in 2Q2025, making Y/Y comparison not fully like-for-like. All segments delivered solid growth, with Digital Business revenue rising (+28% Y/Y, -10% Q/Q) at 72% contribution, while Business Process Outsourcing grew (+43% Y/Y, -19% Q/Q), and Professional Services increased (+30% Y/Y, +25% Q/Q).
- Gross margin expanded to 42.4%, versus 41.1% last year and 34.5% last quarter, exceeding our 40.8% estimate and serving as the key driver behind the earnings beat. Gross profit reached SAR 1.05 bln (+36% Y/Y, +8% Q/Q), ahead of our forecast. OPEX increased to SAR 437 mln (+45% Y/Y, -14% Q/Q), primarily due to the Thiqah consolidation, and came in line with our SAR 443 mln estimate, partially offsetting the margin expansion. Consequently, operating margin came in at 24.8%, marginally below 25.1% last year but significantly above 16.5% previous quarter and ahead of expectations.
- Bottomline reached SAR 656 mln (+33% Y/Y, +47% Q/Q), beating both market consensus of SAR 502 mln and our SAR 536 mln estimate. Earnings were further supported by a one-off gain of SAR 59 mln related to the fair value remeasurement of its previously held stake in an associate following the acquisition of a controlling interest. Excluding this non-recurring item, normalized earnings would have increased +21% Y/Y to SAR 597 mln, still beating consensus estimates. We maintain our Buy rating and target price at SAR 800.00 per share.

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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](mailto:research@riyadcapital.com)

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