Elm Co.

2Q2025 First Look

Consolidation Boosts Topline; Guidance Raised

August 07, 2025

Upside to Target Price	28.4%	Rating	Buy
Expected Dividend Yield	1.0%	Last Price	SAR 923.00
Expected Total Return	29.4%	12-mth target	SAR 1,185.00

Market Data	
52-week high/low	SAR 1,289.0/823.6
Market Cap	SAR 73,840 mln
Shares Outstanding	80 mln
Free-float	33%
12-month ADTV	71,023
Bloomberg Code	ELM AB

Elm	2Q2025	2Q2024	Y/Y	1Q2025	Q/Q	RC Estimate
Sales	2,245	1,767	27%	1,877	20%	2,284
Gross Profit	954	734	30%	773	23%	949
Gross Margins	42%	42%		41%		42%
Operating Profit	513	464	11%	471	9%	547
Net Profit	590	487	21%	495	19%	551

(All figures are in SAR mln)

- Elm reported SAR 2.25 bln in topline for the quarter (+27% Y/Y, +20% Q/Q), in line with our SAR 2.28 bln estimate. Growth was mainly driven by the two-month consolidation of Thiqah, which contributed SAR 236 million (10.5%) to topline. Y/Y increase was driven by surge across all segments: Digital Business (DB) by +26.3% (adding SAR 330 mln), Business Process Outsourcing (BPO) by +29.5% (adding SAR 141 mln), Professional Services (PS) by +20.6% (adding SAR 7 mln). Segment wise, Thiqah contributed SAR 111 mln (7%) to DB and SAR 125 mln (20%) to BPO. Elm standalone showed healthy growth, with DB up +18% Y/Y and +7% Q/Q, and BPO up +3% Y/Y and +10% Q/Q, in line with estimates. Q/Q growth was driven by DB and PS, which increased +15% and +39%, respectively, while PS saw a minor Y/Y decline of -11%.
- Gross margin for the quarter expanded to 42.5% on stronger profitability from DB and PS segments, above 41.5% last year and 41.2% last quarter, and ahead of our 41.6% estimate. The stronger margin supported a +30% Y/Y and +23% Q/Q rise in gross profit to SAR 954 mln, in line with our SAR 949 mln estimates.
- OPEX rose +63% Y/Y and +46% Q/Q to SAR 441 mln due to the consolidation, slightly above our SAR 402 mln estimate. Consequently, operating margin came in at 22.9%, below 26.3% last year, 25.1% last quarter, and our 23.9% estimate.
- Net profit came in at SAR 590 mln (+21% Y/Y, +19% Q/Q), beating market consensus of SAR 531 mln and closer to our SAR 551 mln estimate. This was further supported by a one-off Zakat reversal of SAR 69 mln. The company announced a 4.5 DPS for 1H2025. With management revising topline growth guidance upward to c.34%, and a strong backlog of 3.8 bln, in addition to the adoption of internal AI solutions to reduce OPEX, we maintain our SAR 1,185.00 target price and upgrade our rating to Buy.

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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

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