

May 08, 2023

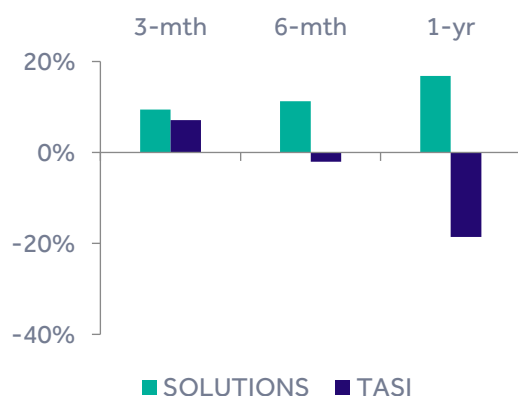
Consistent Growth

Upside to Target Price	1.8%	Rating	Neutral
Expected Dividend Yield	2.1%	Last Price	SAR 279.00
Expected Total Return	3.9%	12-mth target	SAR 284.00

Market Data	
52-week high/low	SAR 293.0/190.2
Market Cap	SAR 33,480 mln
Shares Outstanding	120 mln
Free-float	20.00%
12-month ADTV	186,951
Bloomberg Code	SOLUTIONS AB

SOLUTIONS	1Q2023	1Q2022	Y/Y	4Q2022	Q/Q	RC Estimate
Sales	2,676	2,243	19%	2,438	10%	2,467
Gross Profit	606	494	23%	514	18%	530
Gross Margins	23%	22%		21%		22%
Operating Profit	357	313	14%	240	49%	318
Net Profit	304	283	7%	197	54%	303

(All figures are in SAR mln)



- The solid performance by SOLUTIONS continued with topline rising by +19% Y/Y and +10% Q/Q to SAR 2.7 bln with growth across all three segments. Core ICT service revenues increased by +17.7% Y/Y, IT Managed and Operational Services by +27.4% Y/Y and Digital Services by +13.7% Y/Y.
- Although we anticipated that the full consolidation of Giza's financials would put greater pressure on margins, gross margin actually increased by +60 basis points Y/Y. However, looking at the EBIT margin alone, we saw a Y/Y decline of -70 basis points due to higher G&A and S&D expenses. Over the short term, we anticipate the EBIT margin to remain under pressure.
- SOLUTIONS recorded a net income of SAR 304 mln (+7% Y/Y, +54% Q/Q), matching our SAR 303 mln forecast. The Company has announced the completion of Contact Center Company (CCC) acquisition. Therefore, there will be a consolidation of CCC financials in 2Q2023.
- We remain bullish on the Company's ability to grow its top-line but we are concerned about margins in the coming quarters, particularly if it continues inorganic growth. Since our Buy recommendation, the stock price has increased by +17% and almost achieved our target. As a result, while we maintain our target price, we downgrade to Neutral.

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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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