

Market Data	
52-week high/low	SAR 293.0/178.4
Market Cap	SAR 29,280 mln
Shares Outstanding	120 mln
Free-float	20.00%
12-month ADTV	225,358
Bloomberg Code	SOLUTIONS AB



Higher Revenue Coupled with Stable Opex

October 30, 2022

Upside to Target Price (3.7%)
 Expected Dividend Yield 2.0%
 Expected Total Return (1.7%)

Rating Neutral
 Last Price SAR 244.00
 12-mth target SAR 235.00

SOLUTIONS	3Q2022	3Q2021	Y/Y	2Q2022	Q/Q	RC Estimate
Sales	2,227	1,951	14%	2,254	(1%)	2,193
Gross Profit	499	463	8%	505	(1%)	482
Gross Margins	22%	24%		22%		22%
Operating Profit	313	276	13%	294	6%	279
Net Profit	300	257	17%	273	10%	253

(All figures are in SAR mln)

- SOLUTIONS registered an increase in the topline by +14% Y/Y but down -1% Q/Q to SAR 2.2 bln, in-line with our estimates. The growth in revenues on a yearly basis was mainly due to the increase in IT Managed and Operational Services by +18.5% Y/Y, Digital Services by +18.2% Y/Y and Core ICT Services by +10.7% Y/Y. On a quarterly basis, they declined by -0.1%, -3.1% and -3.3%, respectively.
- Gross Profit followed the same direction as the revenues to increase on a yearly basis by +8%, but decreased on a quarterly basis by -1% to come in at SAR 499 mln, also in-line with our estimates. Gross Margin was stable on a quarterly basis, but it expanded on a yearly basis by around +130 bps.
- Bottom-line came in at SAR 300 mln (+17% Y/Y, +10% Q/Q), above both our forecast of SAR 253 mln and consensus of SAR 272 mln. The increase in the net profit on a yearly basis is attributed to the increase in gross profit by SAR 36 mln, while on quarterly basis the net profit has benefitted from the decrease in operating expenses by SAR -26 mln on the back of the reduction in S&D by SAR -28 mln, this led to an incline in net profit margin to reach 13.4% compared with 12.1% in 2Q2022.

Khalid Obaid Al-Obaid
 khalid.al-obaid@riyadcapital.com
 +966-11-203-6815

■ 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

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 500 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.