

Market Data	
52-week high/low	SAR 392.2/216.8
Market Cap	SAR37,800 mln
Shares Outstanding	120 mln
Free-float	20.00%
12-month ADTV	165,923
Bloomberg Code	SOLUTIONS AB



■ Bottomline Grows on Better Margin

October 29, 2023

Upside to Target Price (3.8%)
 Expected Dividend Yield 1.7%
 Expected Total Return (2.1%)

Rating Neutral
 Last Price SAR 315.00
 12-mth target SAR 303.00

SOLUTIONS	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	2,795	2,039	37%	2,701	3%	2,755
Gross Profit	796	499	60%	732	9%	749
Gross Margins	28%	24%		27%		27%
Operating Profit	438	313	40%	387	13%	400
Net Profit	387	300	29%	340	14%	349

(All figures are in SAR mln)

- Steady topline growth continued for SOLUTIONS with revenues rising by +37% Y/Y and +3% Q/Q to SAR 2.8 bln. As per management, growth was witnessed in two of the three segments Y/Y. Core ICT service revenues increased by +45% Y/Y, IT Managed and Operational Services by +53% Y/Y but the Digital Services segment saw a decline of -4% Y/Y. Compared to the previous year, the Company has benefitted from the consolidation of Giza and CCC while CCC numbers were already incorporated in 2Q2023.
- Operating Profit increased by +40% Y/Y and +13% Q/Q to SAR 438 mln largely due to an increase in gross profit led by better gross margins. Gross margins have continued to expand sequentially this year, reaching 28.5% in 3Q, up by 140 bps Q/Q. So far the M&A strategy has not dented margins.
- Net income was reported at SAR 387 mln (+29% Y/Y, +14% Q/Q), beating both our forecast of SAR 349 mln and market consensus of SAR 342 mln. We are positive on SOLUTIONS for the long-term on the back of increasing spending on digitization in KSA. The Company is well placed, particularly in the ICT market, in the Kingdom to benefit from this growing digitization drive.
- We maintain our target price at SAR 303.00 and our Neutral recommendation

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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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