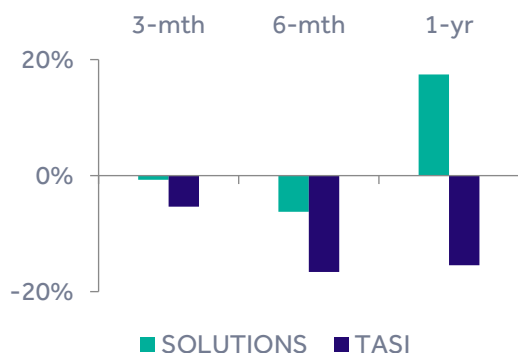


Market Data	
52-week high/low	SAR 293.0/190.2
Market Cap	SAR 28,800 mln
Shares Outstanding	120 mln
Free-float	20.00%
12-month ADTV	204,894
Bloomberg Code	SOLUTIONS AB



## Lower Q/Q Margins Impact Bottomline

February 19, 2023

Upside to Target Price	(2.1%)	Rating	Neutral
Expected Dividend Yield	2.1%	Last Price	SAR 240.00
Expected Total Return	0.0%	12-mth target	SAR 235.00

SOLUTIONS	4Q2022	4Q2021	Y/Y	3Q2022	Q/Q	RC Estimate
Sales	2,438	1,900	28%	2,227*	9%	2,519
Gross Profit	514	424	21%	499	3%	542
Gross Margins	21%	21%		22%		22%
Operating Profit	240	128	88%	313	(23%)	317
Net Profit	198	114	74%	300	(34%)	306

(All figures are in SAR mln); \* Not restated

- We note that SOLUTIONS has restated its revenue for FY2021 from SAR 7.82 bln to SAR 7.21 bln and for the 9M2022 from SAR 6.90 bln to SAR 6.37 bln as it adopted IFRS 15 for contracts related to software licenses and whether the reseller for software licenses vendors shall act as a principal or an agent. This restatement has an equal impact on revenue and COGS, meaning that it has not retrospectively affected the gross or net income.
- For 4Q, revenues came in-line with our estimates at SAR 2,438 mln, up by +28% Y/Y and mainly aided by the acquisition of Giza System Company, as SOLUTIONS has started to consolidate Giza in its financials.
- SOLUTIONS delivered an operating profit of SAR 240 mln, up +88% Y/Y but down -23% Q/Q. Operating profit came in below our forecast of SAR 317 mln due to higher than expected increase in General and Administration expenses, which increased by +39% Y/Y and +37% Q/Q. Net income of SAR 198 mln missed our forecast as both gross and operating margin contracted on a quarterly basis.
- We keep our target price at SAR 235.00 and our neutral recommendation for now. We await detailed financials and management earnings call and would issue an update report shortly where the target price may change.

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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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