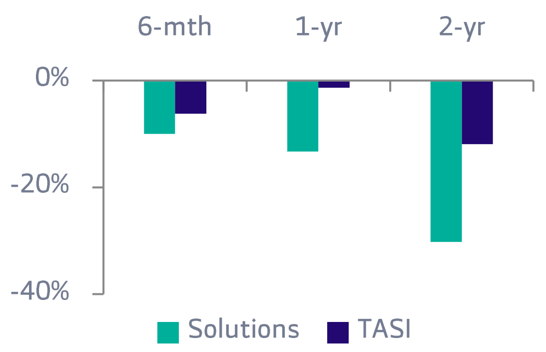
Topline & Margin Expansion Tempered by Other Costs

July 29, 2026

Upside to Target Price	18.5%	Rating	Buy
Expected Dividend Yield	3.8%	Last Price	SAR 211.00
Expected Total Return	22.3%	12-mth target	SAR 250.00

Market Data	
52-week high/low	SAR 271.6/170.1
Market Cap	SAR 25,320 mln
Shares Outstanding	120 mln
Free-float	21.0%
12-month ADTV	127,424
Bloomberg Code	SOLUTION AB



SOLUTIONS	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	3,240	2,902	12%	3,002	8%	3,116
Gross Profit	788	656	20%	586	34%	676
Gross Margins	24%	23%		20%		22%
Operating Profit	506	446	13%	399	27%	471
Net Profit	453	446	2%	370	22%	445

(All figures are in SAR mln)

- Solutions reported strong 2Q2026 revenues of SAR 3.2 bln (+12% Y/Y, +8% Q/Q), above our SAR 3.1 bln estimate, supported by Pulse projects delivery. Growth was led by Core ICT Services (+29% Y/Y, +23% Q/Q) driven by accelerated delivery of previously secured projects, offsetting Digital Services decline (-23% Y/Y, -24% Q/Q) due to project delivery timing, while IT Managed & Operational Services was broadly flat (+3% Y/Y, flat Q/Q) amid significant share of projects still in early stages. By customer type, growth was led by Private segment (+28% Y/Y, 26% of topline), followed by stc segment (+15% Y/Y, 31% of topline), with modest Government segment growth (+2% Y/Y, 43% of topline). Across subsidiaries, Pulse (formerly Giza) revenue surged +58% Y/Y on key project milestones delivery across KSA and North Africa, and Solutions' standalone grew +9% Y/Y, offsetting a -5% Y/Y decline at Upsource as projects remained in the ramp-up phase. 1H2026 revenue growth of +9% Y/Y exceeded FY2026 guidance of 6-8%, and with stronger deliveries typically in 2H, this indicates a potential guidance beat.
- Gross margin expanded to 24.3%, up from 22.6% last year and 19.5% last quarter, exceeding our 21.7% estimate. Margin expansion was primarily driven by a richer mix of higher-margin projects. OPEX increased, on higher ECL provisions which partly offset the margin expansion, to SAR 282 mln (+34% Y/Y, +51% Q/Q), and came in well above our SAR 205 mln estimate. Operating margin came better-than-expected at 15.6% versus 15.4% in last year and 13.3% last quarter, compared to our 15.1% estimate.
- Net profit reached SAR 453 mln (+2% Y/Y, +22% Q/Q), ahead of market consensus of SAR 418 mln and in line with our SAR 445 mln estimate. Earnings growth was moderated by higher other costs of SAR 53 mln (vs. nil last year, and SAR 29 mln costs last quarter), due to higher net finance costs and foreign exchange losses. 1H2026 earnings grew +2% to SAR 824 mln, driven by stronger operational profitability offset by higher other costs. We remain positive on the stock over the long-term, and maintain our Buy rating with a SAR 250.00 target price.

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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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