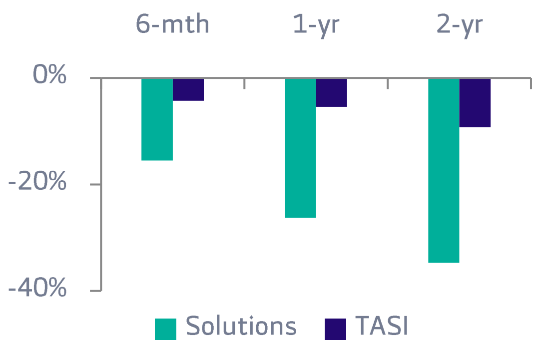
Lower OPEX Offset Gross Margin Pressure

April 27, 2026

Upside to Target Price	13.8%	Rating	Buy
Expected Dividend Yield	3.6%	Last Price	SAR 219.70
Expected Total Return	17.4%	12-mth target	SAR 250.00

Market Data	
52-week high/low	SAR 300.0/170.1
Market Cap	SAR 26,364 mln
Shares Outstanding	120 mln
Free-float	20.1%
12-month ADTV	128,631
Bloomberg Code	SOLUTION AB



SOLUTIONS	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	3,002	2,824	6%	3,907	(23%)	2,966
Gross Profit	586	616	(5%)	699	(16%)	635
Gross Margins	20%	22%		18%		21%
Operating Profit	399	371	8%	362	10%	387
Net Profit	370	361	2%	279	33%	354

(All figures are in SAR mln)

- Solutions reported 1Q2026 revenues of SAR 3.0 bln (+6% Y/Y, -23% Q/Q), broadly in line with our SAR 3.0 bln estimate, supported by continued execution of recently awarded projects. Growth was broad-based, led by Core ICT Services (+10% Y/Y, -29% Q/Q) driven by accelerated delivery of previously secured projects, while IT Managed & Operational Services (+4% Y/Y, -12% Q/Q) and Digital Services (+1% Y/Y, -26% Q/Q) also contributed. By customer segment, the Government segment remained the key driver (+16% Y/Y, 45% of topline), followed by Private segment growth (+10% Y/Y). Across subsidiaries, Solutions' standalone grew +6% Y/Y, while Giza and Upsource increased +8% Y/Y and +7% Y/Y, respectively.
- Profitability remained pressured at the gross level, with gross profit down (-5% Y/Y, -16% Q/Q) as gross margin declined to 19.5% versus 21.8% a year ago and below our 21.4% estimate. Margin pressure was primarily driven by an unfavorable project mix shift toward lower-margin implementation and integration projects, a lower contribution from connectivity services, and pricing pressure following regulatory changes. However, materially lower OPEX partially offset the margin compression, falling to SAR 187 mln (-24% Y/Y, -45% Q/Q) and coming in well below our SAR 247 mln estimate. The decline was mainly driven by revised royalty terms with the parent company, resulting in adjustments to historical charges and a structurally lower cost base going forward. Consequently, operating margin expanded to 13.3% versus 13.1% in 1Q2025 and 9.3% in 4Q2025, in line with our 13.1% estimate.
- Net profit reached SAR 370 mln (+2% Y/Y, +33% Q/Q), ahead of both market consensus of SAR 353 mln and our SAR 354 mln estimate. Earnings growth was primarily supported by topline growth and lower OPEX, while the strong Q/Q recovery was driven by normalization in OPEX. The company announced a 1:1 bonus share issuance, doubling capital to SAR 2.4 bln through the capitalization of retained earnings, aimed at strengthening the capital base and supporting future expansion, according to earnings release. We maintain our SAR 250.00 target price and Buy rating.

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Disclaimer

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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