

Market Data	
52-week high/low	SAR 340.0/227.6
Market Cap	SAR 29,964 mln
Shares Outstanding	120 mln
Free-float	20.1%
12-month ADTV	137,738
Bloomberg Code	SOLUTION AB



Margins Overshadow Strong Topline

October 30, 2025

Upside to Target Price16.1%

Expected Dividend Yield3.2%

Expected Total Return19.3%

Rating

Last Price

12-mth target

Buy

SAR 249.70

SAR 290.00

SOLUTIONS	3Q2025	3Q2024	Y/Y	2Q2025	Q/Q	RC Estimate
Sales	3,098	2,753	13%	2,902	7%	2,854
Gross Profit	707	729	(3%)	656	8%	711
Gross Margins	23%	26%		23%		25%
Operating Profit	462	485	(5%)	446	4%	480
Net Profit	417	463	(10%)	446	(7%)	469

(All figures are in SAR mln)

- Solutions reported strong 3Q2025 revenues of SAR 3.1 bln (+13% Y/Y, +7% Q/Q), above our SAR 2.9 bln estimate, driven by ramp-up of projects awarded in 2024 & 2025 now moving into advanced stages. Growth was led by IT Managed & Operational Services (+35.4% Y/Y, +17.6% Q/Q), supported by project-based and recurring streams on a solid contribution from Upsources’s Outsourcing & BPO activities and Solutions’ managed services portfolio. Core ICT Services (+7.4% Y/Y, +2.4% Q/Q) also improved as delivery milestones approach completion in 4Q2025, while Digital Services (-12.8% Y/Y, -3.2% Q/Q) softened on a high base from prior one-off projects. By customer, overall growth remains driven by Private sector on strong delivery in ongoing projects and new project wins. Across subsidiaries, Solutions’ standalone operations returned to growth (+11% Y/Y, +9% Q/Q) for the first time since 4Q2024, supported by project progress, Giza (+21% Y/Y, +18% Q/Q) benefited from efficient execution and local expansion, and Upsource (+14% Y/Y, -5% Q/Q) increased on new projects and transfers from Solutions.
- Gross profits declined -3% Y/Y on lower-than-expected gross margin of 22.8% (down from 26.5% a year ago), due to the impact of various project delivery stages with different margin recognition, though it improved slightly from 22.6% last quarter as newer projects contributed more meaningfully. OPEX of SAR 245 mln were flat Y/Y and +17% higher Q/Q, slightly above estimates. As a result, operating margin contracted to 14.9%, compared to 17.6% last year and 15.4% last quarter.
- Net profit stood at SAR 417 mln (-10% Y/Y, -7% Q/Q), below market consensus of SAR 459 mln and our SAR 469 mln estimate. The Y/Y decline reflects a one-off Zakat reversal of SAR 73 mln recorded last year, excluding this, profits rose about +7% Y/Y. Sequential softness stemmed mainly from higher other expenses versus a negligible amount last quarter. We maintain our Buy rating with a revised estimates and target price of SAR 290.00 per share.

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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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