Al Moammar Information Systems Co. (HOLD, TP: SAR 168.2, 7200.SE) 4Q25 Results Review

Datacenter ramp-up and HUMAIN contract drive strong backlog visibility and ~50% FY26 revenue growth. Maintain HOLD.

MIS delivered mixed performance in 4Q25, with net profit declining to SAR 5mn on the back of higher provisioning expense. However, there was slight growth in Y/Y net profit largely on back of higher revenue, improved margin profile and fair value gains.

In 4Q25 operating expenses increased due to higher general and admin expenses and were further negatively impacted by provisions jumping to SAR 40mn, up 2.7x Q/Q. This was offset by investment gains as company booked profit from divestment of xAI stake and revaluation of Vision Bank stake.

- Revenue in 4Q25 stood at SAR 282mn, up 10% Y/Y. On a full-year basis, gross revenue increased 15% Y/Y to SAR 2.7bn while IFRS net revenue showed modest growth to SAR 1.27bn after principal/agent adjustments under IFRS 15. Growth was supported by internalization of services and strong performance in maintenance & operations, systems, and solutions segments, partially offset by project timing in networking and datacenters.
- Gross profit reached SAR 67mn (+18% Y/Y), with margin expanding to 23.6% (+1.5ppts Y/Y) on a favorable shift toward higher-margin in-house services. Revenue growth also aided in better absorption of fixed costs, even as cost of sales rose in line with topline.
- Operating expenses rose on higher G&A (SAR 41mn, +SAR 10mn Y/Y) amid staff growth, while marketing declined SAR 4.5mn Y/Y to SAR 6.6mn. ECL provisions totaled SAR 40mn in 4Q25 (vs net reversals of SAR 4.3mn in 4Q24). This provisioning expense is split between MIS Pay's consumer finance provisioning and partially related to core business due to timing on large invoices. For MIS Pay, company has implemented a new in-house credit-risk engine, which is already tightening underwriting and expected to moderate future provisions.
- Operating profit turned negative for the first time in over 5 years largely due to higher provisioning expense. Before provision, operating profit increased 37% Y/Y.
- Non-operating items provided support as FVTPL gains reached SAR 44mn, the highest over TTM (primarily from revaluation of vision bank stake that led to SAR 36mn gain and remainder coming from xAI). Profit share from Edarat rose to SAR 4.1mn (+48% Y/Y).
- Finance costs increased 9% Q/Q and 32% Y/Y to SAR 25mn. Finance income declined 66% Y/Y to SAR 0.6mn on lower deposits.
- Net profit was SAR 5mn for 4Q25. The Q/Q decline versus SAR 25mn in 3Q25 was largely due to lower margin profile and higher provisioning expense, partially offset by higher FVTPL gains due to vision bank fair value adjustments and lower zakat expense.

SAR mln	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenues	282	280	255	1%	10%
Cost of Goods	-216	-197	-199	9%	8%
Gross Profit	67	83	57	-20%	18%
Operating Expenses	-47	-33	-42	42%	11%
Provisions/Reversals	-40	-11	4	269%	NA
Operating Profit	-21	39	19	NA	NA
Net Finance Expense	-25	-23	-17	9%	43%
Other gains/losses	51	10	-1	416%	NA
Zakat and Taxes	0	-1	0	N/A	NA
Net Income	**5**	**25**	**0**	**-81%**	**2664%**
EPS	0.16	0.84	0.01	-81%	2664%
Margins (%)					
Gross Margin	24	30	22	-601 bps	146 bps
Operating Margin	-7	14	7	-2,128 bps	-1,470 bps
Net Margin	2	9	0	-723 bps	165 bps

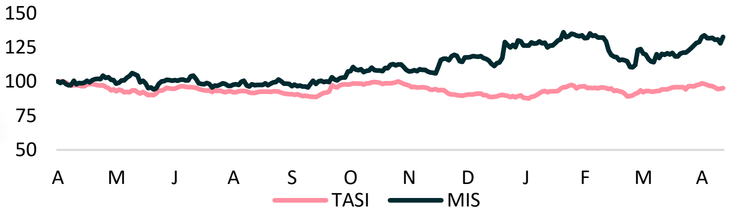
Rating Summary and Forecasts

Rating Summary	
Rating	Hold
Market Price	171.2
12-month Target Price	168.2
Upside / Downside	-2%
Mkt Cap (SAR mn)	5,136.0
52 week High/Low	125.0/184.2

Forecasts	12/24 A	12/25 A	12/26 F	12/27 F
Net Income (SAR mn)	122	96	126	177
PER (x)	42.2	53.4	40.8	29.0
PBV (x)	12.2	14.9	12.6	10.7
EPS (SAR)	4.1	3.2	4.2	5.9
DPS (SAR)	3.2	3.2	3.2	4.0
RoE (%)	28.9	27.8	31.0	36.8
Dividend Yield (%)	1.9	1.9	1.9	2.3

Price Chart

TASI MIS



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Investment Thesis

- MIS continues to internalize high-margin activities and deliver gross margin expansion despite project-mix pressures. FY25 gross margin improved 2.1ppts to 23.4%. Furthermore, we expect gross-margin improvement from in-house services leading to 1.1ppts Y/Y improvement to 24.5% in FY26.

- The datacenter business is rapidly becoming a multi-year growth engine as current capacity is leased to hyperscalers and key national entities. Prospective size of datacenter fund has been upscaled to 144MW. The first 72MW phase has commenced construction, with revenue recognition starting in 2026 under a cost-plus model that supports healthy margins. Moreover, company has already secured HUMAIN datacenter build contract which we estimate corresponds to 50MW capacity. Company can also potentially capture the allied recurring facility-management revenue in future through the new 60%-owned National Excellence Data Center Company. HUMAIN AI datacenter contract validates the company’s capabilities in this field and will likely open more doors given the country’s ambitious 4.5GW datacenter target by 2030.

- MIS Pay (cumulative GMV SAR 182mn across ~181k transactions) moderated growth in late FY25 to tighten credit metrics via the new in-house underwriting engine, with early signs of improvement. We opine the moderated growth will bode well for earnings profile as this will lead to lower provisioning expenses, which amounted to a hefty 20% of gross profit in FY25. Company has recently received full license from SAMA to engage in BNPL activities.

- The SAR 13bn backlog offers multi-year visibility, with management guiding ~50% Y/Y revenue growth in FY26 driven by backlog conversion and new awards (already ~SAR 700mn secured in 1Q26). Our revenue growth forecasts (49%/30% Y/Y in FY26/FY27) closely aligns with that of management guidance.

- We forecast FY25-29 gross profit and net profit CAGR of around 25% and 29% respectively, fueled by datacenter ramp (recurring >SAR 80mn annually from maintenance/fund post FY27), ICT growth, and project flow from HUMAIN. Maintain HOLD.

Rating and Risks

We maintain HOLD on MIS with a 12-month target price of SAR 168.2. Upside risks include quicker datacenter expansions, earlier fintech profitability, EMS turnaround. Downside risks include prolonged BNPL impairments, SAMA delays for Connect, higher debt costs from subsidiary funding, execution risks in datacenter builds, and potential slowdowns in government IT spending due to potentially lower oil revenue.

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Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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