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Arabian Internet and Comms Services Co | Europe

4Q25 flash results: Tough comp proves a bridge too far

Reaction to earnings

Strengthens our thesis	Meaningful shortfall	Meaningful revision lower
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- 4Q revenue growth of c. 5% y/y was materially below MS (11%) and consensus (19%)
- 4Q gross profit and EBIT well-below MS and consensus. FCF also comfortably below MS with negative FCF for FY25 as a whole
- The weak 4Q meant Solutions grew c. 6% in FY25 (below guidance of 8-10%), and delivered a c. 15.6% EBITDA margin (in-line with 14-16% guidance)
- We don't see significant follow-through impact as likely on how Solutions may guide for FY26 later this week (around its conference call)
- We still expect FY26 guidance to point towards 8-10% revenue growth and a 14-16% EBITDA margin corridor

As we outlined in our 4Q25 preview book, we headed into 4Q25 results with a cautious stance around Solutions, highlighting the very tough base comparable they faced in 4Q25, as well as our view that FY26 consensus EBITDA margin expectations tilted risk on revisions to the downside. We see the results today as echoing those concerns; a 12% miss vs consensus on revenue (6% on MS), 31% vs. consensus on gross profit (19% on MS) and a >35% miss vs both MS and consensus in 4Q on the bottom line. It meant that overall, Solutions did not meet its top-line guidance for 8-10% growth for FY25. However, we see this more of an issue of the strength of the base comp, and we would still expect guidance later this week (released around the earnings call) to point to a pretty similar pathway in 2026 as at the start of 2025 (8-10% revenue growth y/y and a 14-16% EBITDA margin corridor). CEO Omer Abdullah Alnomany spoke to a strong backlog at year end and a "*solid foundation for… continued growth in 2026.*" The company flagged that the 4Q result *"was affected by new projects that were secured in 2H 2025 and remained at early execution phases by the end of the year"*, suggesting revenue recognition effects, while gross profit margins in 4Q were indicated to have been impacted by project mix and 'temporary effects' (partly around regulatory changes and a broader rollout of the Etimad tendering platform). We note overall weak FCF in FY25, though likely mainly timing-related, with management flagging expectations of improved cash collections in the coming quarters. The next key focus will be on FY25 guidance, which we expect the company to provide during its 4Q25 earnings call, due to take place on Thursday February 19th.

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Arabian Internet and Comms Services Co (7202.SE, SOLUTION AB)

EEMEA - Technology | Saudi Arabia

Stock Rating	**Underweight**
Industry View	**No Rating**
Price target	**SAR 236.00**
Shr price, close (Feb 15, 2026)	SAR 225.90
52-Week Range	SAR 337.60- 219.00
Mkt cap, curr (mn)	SAR 27,108
Net debt (12/25e) (mn)*	SAR (3,192)
EV, curr (mn)*	SAR 24,163

* = GAAP or approximated based on GAAP

As usual, we look forward to the full financial results in due course to understand underlying performance in the quarter. We will update our forecasts at this point.

Exhibit 1: Results versus MS estimates and consensus

	4Q25			% Δ vs	
SAR m	Actual	MS	Co. consensus	MS	Co. consensus
Core ICT Services	2,108	2,246			
y/y growth (%)	*9%*	*17%*			
IT Managed and Operational Services	1,177	1,343			
y/y growth (%)	*-11%*	*2%*			
Digital Services	622	558			
y/y growth (%)	*27%*	*14%*			
Total revenue	**3,907**	**4,147**	**4,457**	**-5.8%**	**-12.3%**
y/y growth (%)	*5%*	*11%*	*19%*		
Gross profit	**699**	**858**	**1,018**	**-18.6%**	**-31.3%**
% margin	*17.9%*	*20.7%*	*22.8%*		
Stated EBITDA	**480**	**580**		**-17.2%**	
% margin	*12.3%*	*14.0%*			
Stated EBIT	**362**	**506**	**523**	**-28.5%**	**-30.8%**
% margin	*9.3%*	*12.2%*	*11.7%*		
Stated net income	**279**	**432**	**440**	**-35.4%**	**-36.6%**
Free cash flow	**259**	**2,072**			

Source: Company data, Company-presented consensus, Morgan Stanley Research estimates

Valuation Methodology and Risks

Arabian Internet and Comms Services Co (7202.SE)

We value Solutions by STC with a 10-year DCF, using a WACC of 9.5%, and a 2.0% terminal growth rate.

Risks to Upside

- New contract wins particularly with the KSA government
- International expansion
- Bolt-on M&A
- Gross margin sustained at high levels

Risks to Downside

- Slowdown in contract wins or contract losses once they reach the end of their term
- Weaker than expected delivery on existing large contracts leading to margin compression
- Impairments/provisions on contracts/inventory
- Longer working capital cycles than expected

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(as of January 31, 2026)

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Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1520	41%	425	48%	28%	685	42%
Equal-weight/Hold	1579	43%	375	42%	24%	713	44%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	592	16%	89	10%	15%	232	14%
Total	3,695		890			1631	

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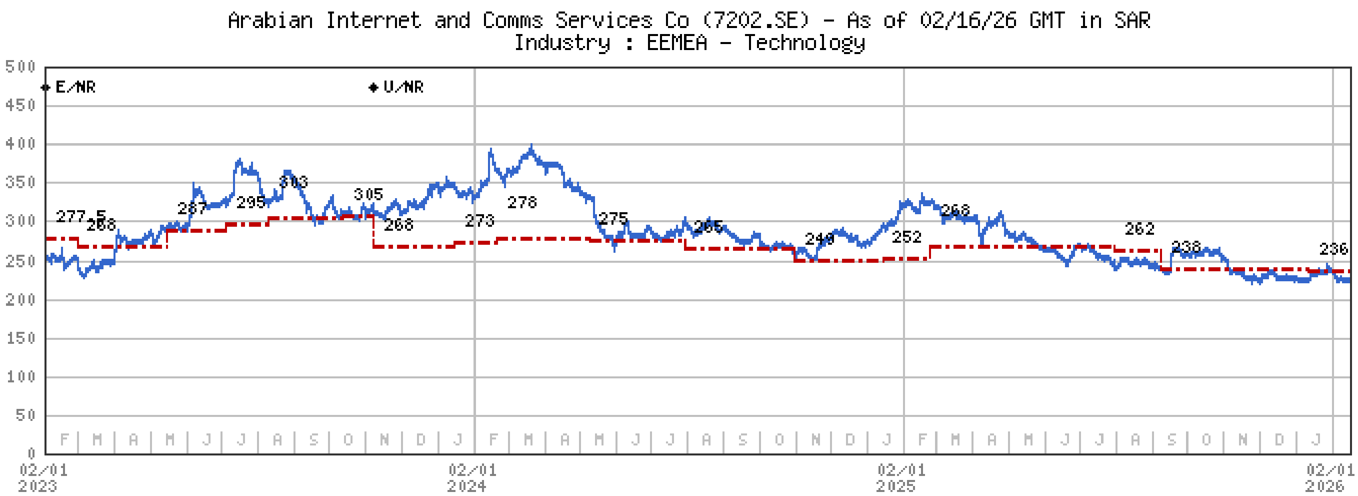
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 2/1/21 : /NR; 11/1/21 : E/NR; 1/11/22 : E/NR; 5/12/22 : E/NR; 11/8/23 : U/NR

Price Target History: 11/1/21 : 205; 5/12/22 : 250; 8/10/22 : 262.5; 11/2/22 : 270; 12/12/22 : 277.5; 2/28/23 : 268; 5/16/23 : 287; 7/5/23 : 295; 8/10/23 : 303; 10/13/23 : 305; 11/8/23 : 268; 1/15/24 : 273; 2/21/24 : 278; 5/9/24 : 275; 7/29/24 : 265; 10/31/24 : 249; 1/14/25 : 252; 2/24/25 : 268; 7/30/25 : 262; 9/8/25 : 238; 1/12/26 : 236

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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INDUSTRY COVERAGE: EEMEA - Technology

COMPANY (TICKER)	RATING (AS OF)	PRICE* (02/15/2026)
George W Webb		
Arabian Internet and Comms Services Co (7202.SE)	U (11/08/2023)	SAR 225.90

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