# Elm Co.

*Earnings moderated by margin contraction*

Rating: Overweight | Target Price: SAR 827

***March 2, 2026***

| Market Data | |
|---|---|
| Last Price (SAR)* | 583.0 |
| Target Price (SAR) | 827.2 |
| Upside / Downside (%) | 41.8 |
| Market Cap (bn) (SAR/USD) | 51/14 |
| 52 week High / Low (SAR) | 1,110/577 |
| 12-month ADTV (mn) (SAR/USD) | 69/18 |
| YTD Return (%) | -22.1 |
| Bloomberg Code | ELM AB |

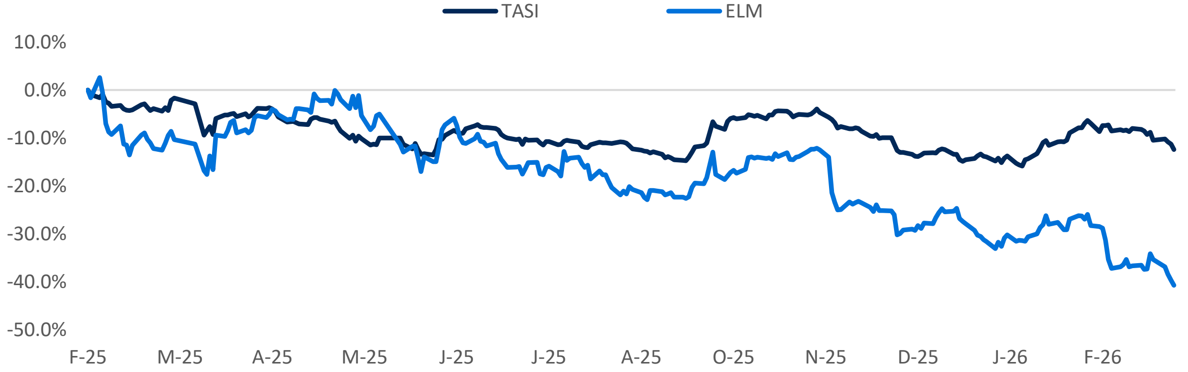
**last price as of 1st Mar 2026*

| Valuations | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Net Income (SAR mn) | 2,090.0 | 2,796.4 | 3,346.3 | 3,790.9 |
| EPS (SAR) | 26.1 | 35.0 | 41.8 | 47.4 |
| PER (x) | 24.5 | 18.3 | 15.3 | 13.5 |
| P/BV (x) | 7.3 | 5.9 | 4.8 | 4.0 |
| DPS (SAR) | 9.0 | 14.0 | 16.7 | 19.0 |
| Div. Yield (%) | 1.4 | 2.2 | 2.6 | 3.0 |
| RoAE (%) | 29.9 | 35.7 | 34.6 | 32.1 |
| RoAA (%) | 15.9 | 19.7 | 20.3 | 19.9 |

| Financials (SAR mn) | 4Q25A | 4Q25E* | Var (%) | 4Q24A | YoY (%) | 3Q25A | QoQ (%) |
|---|---|---|---|---|---|---|---|
| Revenue | 2,808 | 2,997 | (6) | 2,129 | 32 | 2,535 | 11 |
| COGS | 1,928 | 1,781 | 8 | 1,302 | 48 | 1,291 | 49 |
| **Gross profit** | **880** | **1,215** | **(28)** | **827** | **6** | **1,071** | **(18)** |
| *Gross margin (%)* | 31 | 41 | | 39 | | 42 | |
| OPEX | 418 | 519 | (19) | 419 | (0) | 488 | (14) |
| **Operating profit** | **462** | **697** | **(34)** | **408** | **13** | **584** | **(21)** |
| *Operating margin (%)* | 16 | 23 | | 19 | (3) | 23 | (7) |
| **Net income** | **446** | **667** | **(33)** | **498** | **(10)** | **559** | **(20)** |
| *Net margin (%)* | 16 | 22 | | 23 | | 22 | |
| ***EPS*** | ***5.6*** | ***8.3*** | | ***6.2*** | | ***7.0*** | |

**anbc estimates*

**Price Performance**




*Source: Tadawul, Bloomberg, and anbc research*

**Elm Co. (ELM AB) reported a net profit of SAR 446 mn (EPS: SAR 5.6) in 4Q25, down 10.4% YoY and 20.2% QoQ. The net profit fell short to our estimates, down 33% in 4Q25. We maintain our Overweight rating on the stock with a target price of SAR 827/sh, offering a potential upside of 41.8%.**

- Revenue grew 31.9% YoY (+10.8% QoQ) to SAR 2.8 bn in 4Q25, coming in 6.3% below our estimate of SAR 3.0 bn. The growth was driven by the Digital Business segment, which increased 22.4% YoY (+10.2% QoQ) and remained the largest contributor, accounting for 70.2% of total revenue. The Business Process Outsourcing segment also recorded strong growth of 71.9% YoY (+13.1% QoQ). This was partially offset by the Professional Services segment, which declined 20.6% YoY (+1.2% QoQ).
- Gross margin stood at 31.3% in 4Q25 (-750 bps YoY, -1,090 bps QoQ). The decline was mainly due to a lower contribution from the higher-margin Digital Business segment (70% in 4Q25 vs. 76% in 4Q24) and a higher contribution from the lower-margin Business Process Outsourcing segment (28% in 4Q25 vs. 22% in 4Q24).
- However, the topline growth did not translate proportionally into operating profit, which increased by 13.1% YoY (-20.9% QoQ) in 4Q25. Consequently, the operating margin declined by 270 bps YoY (-660 bps QoQ). Operating expenses remained largely flat, down 0.2% YoY (-14.2% QoQ), reflecting higher selling and distribution expenses (+SAR 44 mn) and increased research and development costs (+SAR 37 mn), partially offset by lower general and administrative expenses (-SAR 39 mn) and reduced depreciation and amortization (-SAR 37 mn).
- Finance expenses increased 4.5x YoY (+1.0% QoQ) in 4Q25, attributable to higher debt level following Thiqah's consolidation in 2Q25.
- On a yearly basis, net profit declined 10% YoY (-20% QoQ), pressured by a lower gross margin due to reduced contribution from higher-margin segments. Further pressures included a SAR 10 mn decrease in fair value gains from revaluation of investments through profit or loss, a SAR 10 mn decline in income from Murabaha deposits, and a SAR 46 mn reduction in other income. Partially offsetting these declines, Zakat expense decreased by SAR 81 mn, driven by a prior years' provision reversal of SAR 69 mn following the completion of the company's ZATCA.
- *We maintain our 'Overweight' stance on the stock. We have lowered our margin assumptions to reflect prevailing margin pressure, resulting in a reduction of our target price to SAR 827/sh from SAR 1,089/sh. Elm has declined 45.2% YoY, underperforming the Tadawul TASI's 13.5% decline. The stock currently trades at 2026e P/E and P/BV multiples of 18.3x and 5.9x, respectively.*

**Sulaiman A. Alharbi**
sulaiman.alharbi@anbcapital.com.sa
+966 11 4062500 Ext. 3583

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| OVERWEIGHT | NEUTRAL | UNDERWEIGHT |
|---|---|---|
| Expected return is more than +15% | Expected return is between +15% & -10% | Expected return is lower than -10% |

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## Contact

**ANB Capital Head Office**

3581 Al Mouyyad Al Jadid, Al Murabba, Riyadh 11311,

PO Box 22009, Kingdom of Saudi Arabia

Tel: +966 11 406 2500,  800 124 0055

Email: research@anbcapital.com.sa

Web: www.anbcapital.com.sa