

Result update

Arabian Internet and Communications Services (Solutions)

STRONG BUY

Sector : Information Technology

9 November 2025

- Revenue supported by IT managed and operational services which grew by 35% YoY in 3Q25.
- Solutions hold a 23% market share in the fragmented IT market in KSA.
- The company is optimistic about meeting its 2025 guidance and anticipates continued growth.
- Retain our revenue and profit estimates, maintain **STRONG BUY** rating with target price of QAR 295 per share

Target price (SAR) 295.0

Current price (QAR) 234.2

Return 26.0%


Exchange Saudi Arabia
Index weight (%) 0.2%

(mn)	SAR	USD
Market Cap	28,104	7,493
Enterprise value	30,033	8,008

Major shareholders

Saudi Telecom Co	79%
Vanguard Group Inc/T	0.9%
Arabian Internet & C	0.8%
Others	19.3%

Valuation Summary

PER TTM (x)	18.0
P/Book (x)	7.0
EV/EBITDA (x)	14.0
Dividend Yield (%)	3.4
Free Float (%)	19%
Shares O/S (mn)	120
YTD Return (%)	-13%
Beta	1.0

Key ratios	2022	2023	2024
EPS (SAR)	8.77	9.93	13.31
BVPS (SAR)	23.28	27.70	33.40
DPS (SAR)	5.00	6.00	10.00
Payout ratio (%)	57%	60%	75%

Price performance (%)	1M	3M	12M
Arabian Internet & Comn	-9%	-6%	-9%
Tadawul All Share Index	-3%	3%	-7%

52 week	High	Low	CTL*
Price (SAR)	337.6	227.6	2.9

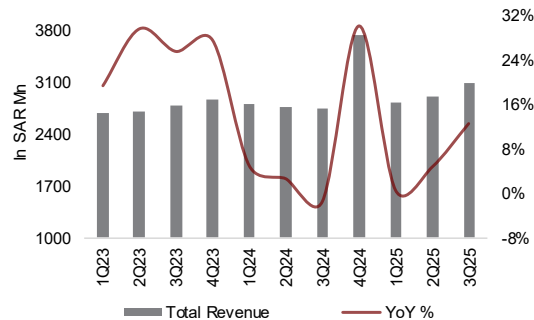
* CTL is % change in CMP to 52wk low

Arabian Internet and Communications Services (Solutions) reported 3Q25 revenue of SAR 3bn, marking a 12.5% YoY increase, broadly in line with our estimate. Revenue for the 9M25 grew 6% YoY at SAR 8.8bn. Topline growth during the quarter was driven by increasing revenue contribution from projects secured in 2024 and the 1H25, which have advanced to later execution stages. Notably, IT managed and operational services remained the main growth driver to the topline, with a 35% YoY rise in 3Q25 reflecting the strong performance of Solutions managed services portfolio and the outsourcing and BPO business of Upsource. Core ICT services contributing 48% to the topline grew by 7.4% YoY, while digital services revenue declined 13% YoY in 3Q25, due to market competition and the timing of project implementations. The decline was further impacted by limited traction in cloud services, particularly with major players such as AWS and Microsoft entering the Saudi market and the absence of a high-performance computing project spike seen in the same quarter last year. The consolidated backlog reached SAR 13.4bn, up 9% from 2Q25.

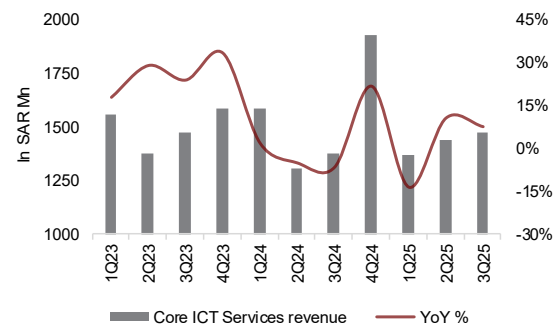
Gross profit fell by 3% YoY as direct costs increased by 18% YoY, outpacing revenue growth and reflecting a shift in project mix. Hence, gross margins slipped from 26.5% in 3Q24 to 22.8% in 3Q25. During the quarter, gross margins for Solutions (standalone) declined to 26.9% (vs 32.2% in 3Q24), while Giza and Upsource saw improvements to 18.3% (vs 17.4% in 3Q24) and 10.6% (vs 10.5% in 3Q24) respectively. SG&A expenses remained flattish YoY during the quarter supported by the release of provisions for bad receivables and contract assets. Despite controlled operating expenses, EBIT and EBITDA margins declined by 270bps and 280bps YoY to 14.9% and 17.3%, respectively. Finance costs rose 16% YoY, mainly due to an SAR 82mn increase in debt compared with the same period last year. Conversely, finance income grew 12.5% YoY, benefiting from a higher interest rate environment. Other expenses declined substantially YoY, while the share of profit from equity-accounted investees increased 15.6% YoY. Additionally, the company reported a reversal of zakat amounting to AED 32mn in 3Q24, compared with a tax expense of AED 39mn in 3Q25. As a result, net profit for the quarter fell 10% YoY to SAR 417mn, with the net margin contracting by 330bps YoY to 13.5% in 3Q25. Nonetheless, profit remained in line with our forecast, and aside from the gross margin, all other key margins exceeded expectations. Net profit for 9M25 declined 4% YoY to SAR 1.22bn.

Valuation and outlook: Solutions maintains a strong investment thesis supported by its market leadership and resilient business model. During the quarter, the company announced 10 new partnerships and contracts aimed at strengthening its cloud, edge, and digital infrastructure offerings. Solutions expects continued momentum in 4Q25, driven by ongoing project execution. Management has reaffirmed its guidance for revenue growth of 8–10% and an EBITDA margin of 14–16%, expressing confidence in achieving its 2025 targets. Based on the current results and guidance, we maintain our 2025e revenue estimate at SAR 13.2bn (vs SAR 13.1bn) and profit forecast at SAR 1.7bn (vs SAR 1.74). Given the company's robust project backlog, we reiterate our target price of SAR 295, implying an upside potential of 26% from current levels. Accordingly, we retain our rating of STRONG BUY. At the current price, the stock trades at 16.5x 2025e EPS and offers a dividend yield of 3.6%.

Revenue grew 12.5% YoY on strong pipeline of projects



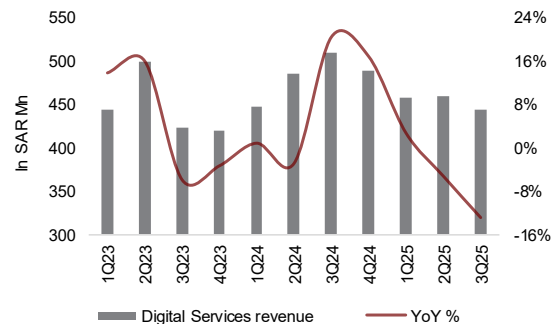
Core ICT revenue grew with contribution from new projects



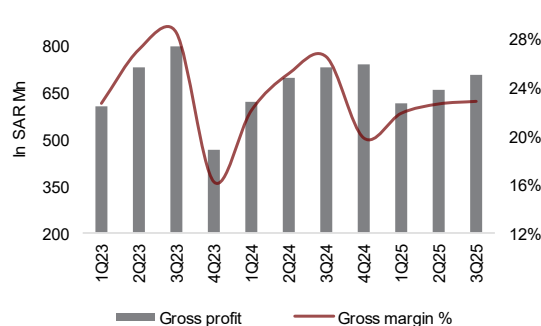
IMOS grew 35% YoY on recurring revenues



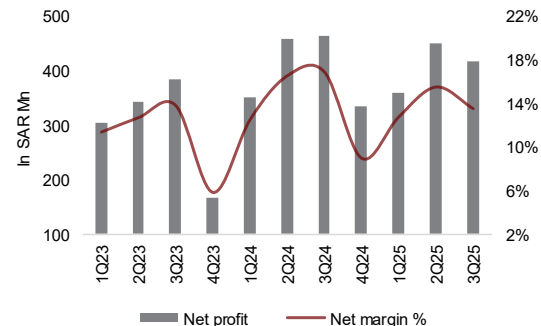
Digital services revenue decline due to market competition



Gross margin drops to 22.8% on changes in project mix



Net margin lower by 330bps YoY on high direct cost & tax





Income statement (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	7,208	8,805	11,040	12,064	13,155	14,495	15,991	17,199
Direct Costs	-5,500	-6,794	-8,443	-9,281	-10,201	-11,089	-12,233	-13,071
Gross Profit	1,708	2,011	2,598	2,783	2,954	3,406	3,758	4,128
General and admin expenses	-462	-605	-715	-720	-811	-1,015	-1,119	-1,204
Selling and distribution expenses	-347	-246	-496	-402	-343	-507	-560	-602
EBIT	899	1,160	1,387	1,661	1,799	1,884	2,079	2,322
EBITDA	1,108	1,392	1,669	1,948	2,099	2,286	2,522	2,810
Finance income	-	-	145	114	104	104	104	104
Finance cost	3	38	-76	-74	-81	-85	-85	-85
Other income/(expenses), net	2	-28	-52	-65	-9	-14	-16	-17
PBT	904	1,171	1,405	1,642	1,826	1,902	2,095	2,336
Tax	-71	-118	-210	-39	-117	-95	-105	-117
Net Profit	833	1,054	1,195	1,603	1,709	1,807	1,990	2,220
Balance Sheet (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash and cash equivalents	1,608	544	2,588	1,127	1,700	2,171	2,815	3,612
Murabaha time deposits	-	2,701	850	2,575	150	150	150	150
Other current assets	288	195	554	436	658	725	800	860
Contract assets	1,256	1,277	1,691	2,249	3,420	3,769	4,158	4,472
Inventories	274	322	249	212	561	610	673	719
Total current assets	6,446	9,383	10,296	10,359	10,568	11,918	13,552	15,144
Non-current investments and other assets	23	12	150	268	423	423	423	423
Investment in equity accounted investees	-	-	3	341	343	343	343	343
Intangible assets and goodwill	98	373	626	557	530	508	492	481
Property and equipment	551	473	390	425	450	408	352	275
Right of use assets	55	41	50	90	108	119	132	144
Total non-current assets	726	899	1,220	1,681	1,854	1,801	1,741	1,665
TOTAL ASSETS	7,173	10,282	11,516	12,040	12,422	13,719	15,293	16,809
Share capital	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Reserves	88	9	-60	-261	-316	-316	-316	-316
Treasury Shares	-181	-156	-154	-151	-145	-145	-145	-145
Retained earnings	960	1,432	2,338	3,220	3,729	4,512	5,422	6,452
Total Equity attributable to shareholders	2,271	2,794	3,324	4,008	4,468	5,251	6,161	7,192
Minority Interest	-	29	29	22	31	31	31	31
Total equity	2,271	2,823	3,353	4,030	4,499	5,282	6,193	7,223
Lease and other liabilities	31	16	19	104	105	105	105	105
End of service indemnities	237	261	450	582	693	693	693	693
Borrowings	-	502	499	642	639	639	639	639
Total non-current liabilities	268	803	968	1,328	1,437	1,437	1,437	1,437
Trade payables, accruals and other liabilities	1,931	2,573	3,315	3,887	4,081	4,436	4,893	5,228
Deferred revenue	2,277	3,266	3,049	2,090	1,836	1,996	2,202	2,353
Contract liabilities	354	488	380	467	322	322	322	322
Zakat and income tax payable	72	136	240	146	113	113	113	113
Bank overdraft and borrowings	-	194	211	93	134	134	134	134
Total current liabilities	4,634	6,656	7,195	6,683	6,486	7,000	7,664	8,150
Total liabilities	4,902	7,459	8,164	8,010	7,922	8,437	9,101	9,586
Total equity and liabilities	7,173	10,282	11,516	12,040	12,422	13,719	15,293	16,809
Cash Flow (in SAR Mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	1,395	2,091	1,715	1,509	15	1,972	2,236	2,529
Investing cash flow	-171	-3,191	1,036	-2,127	2,175	-275	-304	-327
Financing cash flow	-610	57	-689	-807	-1,616	-1,226	-1,289	-1,405
Change in cash	614	-1,064	2,044	-1,461	573	471	643	797
Beginning cash	993	1,608	544	2,588	1,127	1,700	2,171	2,815
Ending cash	1,608	544	2,588	1,127	1,700	2,171	2,815	3,612

Ratio Analysis	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share								
EPS (SAR)	6.941	8.774	9.935	13.305	14.219	14.995	16.516	18.423
BVPS (SAR)	18.921	23.285	27.700	33.397	37.236	43.759	51.345	59.932
DPS (SAR)	4.000	5.000	6.000	10.000	8.532	8.997	9.910	11.054
FCF per share (SAR)	10.200	-9.167	22.929	-5.147	18.247	14.142	16.104	18.350
Valuation								
Market Cap (SAR, Millions)	22,584	29,136	41,976	32,400	28,104	28,104	28,104	28,104
EV (SAR, Millions)	21,008	29,304	40,117	32,112	27,282	26,811	26,167	25,370
EBITDA	1,108	1,392	1,669	1,948	2,099	2,286	2,522	2,810
P/E (x)	27.1	27.7	35.2	20.3	16.5	15.6	14.2	12.7
EV/EBITDA (x)	19.0	21.0	24.0	16.5	13.0	11.7	10.4	9.0
Price/Book (x)	9.9	10.4	12.6	8.1	6.3	5.4	4.6	3.9
Dividend Yield (%)	2.1%	2.1%	1.7%	3.7%	3.6%	3.8%	4.2%	4.7%
Price to sales (x)	3.1	3.3	3.8	2.7	2.1	1.9	1.8	1.6
EV to sales (x)	2.9	3.3	3.6	2.7	2.1	1.8	1.6	1.5
Liquidity								
Cash Ratio (x)	0.3	0.1	0.4	0.2	0.3	0.3	0.4	0.4
Current Ratio (x)	1.4	1.4	1.4	1.6	1.6	1.7	1.8	1.9
Quick Ratio (x)	1.3	1.4	1.4	1.5	1.5	1.6	1.7	1.8
Returns Ratio								
ROA (%)	11.6%	10.2%	10.4%	13.3%	13.8%	13.2%	13.0%	13.2%
ROE (%)	36.7%	37.3%	35.6%	39.8%	38.0%	34.2%	32.1%	30.7%
ROCE (%)	32.8%	29.1%	27.7%	29.9%	28.8%	26.9%	26.1%	25.6%
Cash Cycle								
Inventory turnover (x)	20	21	34	44	18	18	18	18
Accounts Payable turnover (x)	2.8	2.6	2.5	2.4	2.5	2.5	2.5	2.5
Receivables turnover (x)	2.4	2.0	2.5	3.2	3.2	3.2	3.2	3.2
Inventory days	18	17	10.7	8.3	20.1	20.1	20.1	20.1
Payable Days	128	138	143	153	146	146	146	146
Receivables days	153	180	144	114	113	113	113	113
Profitability Ratio								
Net Margins (%)	11.6%	12.0%	10.8%	13.3%	13.0%	12.5%	12.4%	12.9%
EBITDA Margins (%)	15.4%	15.8%	15.1%	16.1%	16.0%	15.8%	15.8%	16.3%
PBT Margins (%)	12.5%	13.3%	12.7%	13.6%	13.9%	13.1%	13.1%	13.6%
EBIT Margins (%)	12.5%	13.2%	12.6%	13.8%	13.7%	13.0%	13.0%	13.5%
Leverage								
Total Debt (SAR, Millions)	31	712	729	839	878	878	878	878
Net Debt (SAR, Millions)	-1,576	168	-1,859	-288	-822	-1,293	-1,937	-2,734
Debt/Equity (x)	0.0	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Net Debt/EBITDA (x)	-1.4	0.1	-1.1	-0.1	-0.4	-0.6	-0.8	-1.0
Net Debt/Equity (x)	-0.7	0.1	-0.6	-0.1	-0.2	-0.2	-0.3	-0.4

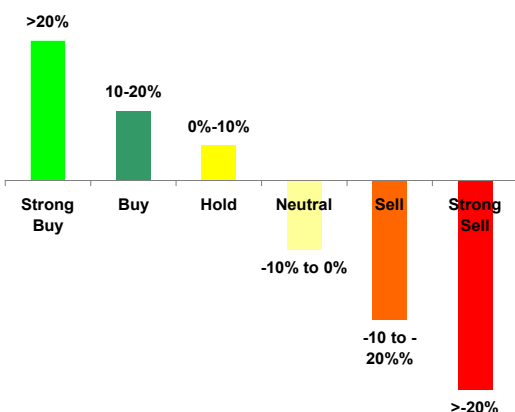
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Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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