SOFTWARE | MARCH 2026

Solutions

COMPANY UPDATE

Q1 26

Attractive sector, but margin pressure remains a concern

We maintain our Overweight rating on Solutions with a PT of SAR209.2. As a leading player in the sector, we believe Solutions continues to benefit from the ongoing ICT and AI spending in Saudi. This is also expected to drive the growth of Digital and BPO segments. However, increasing competition is putting pressure on margins which is a main challenge. Accordingly, we forecast revenue and earnings to grow at a 2025-28f CAGR of 6.9% and 6.0% respectively. The stock is trading at 2026f P/E and EV/EBITDA of 14.2x and 9.7x, lower than the peer group average of 16.9x and 10.5x, respectively.

Cloud services to drive topline growth going forward

Solutions' topline growth is expected to be driven by the Digital segment (16% of total revenue in 2025), supported by the launch of the OneCloud platform in Q4 25, which provides multi-cloud provisioning services and enables both recurring and project-based revenues. We forecast the Digital segment to record a 2025–28f CAGR of c9.3%, supported by continued investments in GPUs and cloud infrastructure to expand capacity. Meanwhile, BPO services through Upsource (34% of group revenues in 2025) are expected to grow at a 2025–28f CAGR of c7.0%, supported by new outsourcing contracts, although competition has intensified following the adoption of the Etimad platform. Core ICT, the largest segment contributing c50% of revenues, is expected to grow at a more stable pace, recording a 2025–28f CAGR of 6.0%, supported by continued demand for ICT infrastructure and system integration projects.

Strong competition in BPO segment may put pressure on overall margins

Margins are expected to remain under pressure in the near term due to changes in revenue mix and increased contribution from lower margins BPO segment and tough competition in project bidding. Gross margins in 2025 declined to 21.0% from 23.1% in 2024, while EBITDA margins contracted to 15.6% from 16.1%. Looking ahead, management guided for EBITDA margins of 14-16%, reflecting continued competitive pressure in the BPO segment. Over the medium term, margins are expected to improve as large projects reach advanced execution stages and with higher contribution from cloud services.

Higher Capex and working capital requirements to weigh on cashflows

Solutions' topline is expected to grow at 2025–28f CAGR of 6.9%, supported by continued demand for ICT infrastructure projects and increasing contribution from digital and managed services. However, we expect EBITDA margins to moderate to 15.3% in 2026f, due to competitive pressures in project bidding and a higher contribution from outsourcing services, before gradually recovering to 15.8% in 2028f. Accordingly, we expect net income to record 2025–28f CAGR of 6.0%, supported by steady topline growth. Capex requirements are expected to stabilize at c2% of revenues, reflecting continued investments in cloud services infrastructure. Finally, the working capital requirements are also expected to increase, due to the additional administrative requirements associated with payment processing for certain public sector projects.

Remain Overweight with a PT of SAR209.2

We maintain our Overweight rating on Solutions with a PT of SAR209.2. We believe Solutions is well positioned to benefit from the ongoing digitization and AI spending in Saudi However, we believe the change in revenue mix and pricing pressure will affect margins and earnings growth in the medium term. The stock trades at 2026f P/E and EV/EBITDA of 14.2x and 9.7x, lower than the peer group average of 16.9x and 10.5x, respectively.

Summary Financials

SAR mn	2025	2026f	2027f	2028f	CAGR
Revenues	12,730	13,580	14,542	15,543	6.9%
Gross income	2,678	2,802	3,023	3,254	6.7%
Gross margin (%)	*21.0%*	*20.6%*	*20.8%*	*20.9%*	
EBIT	1,641	1,667	1,801	1,943	5.8%
EBIT Margin (%)	*12.9%*	*12.3%*	*12.4%*	*12.5%*	
Net income	1,503	1,521	1,638	1,787	6.0%
Net margin (%)	*11.8%*	*11.2%*	*11.3%*	*11.5%*	
EPS (SAR)	12.52	12.68	13.65	14.89	6.0%

Source: The company, SNB Capital Research

OVERWEIGHT

Price target (SAR)	**209.2**
Current price (SAR)	180.1
Upside/Downside (%)	16.2%

VALUATION MULTIPLES

	25	26f	27f
P/E (x)	14.4	14.2	13.2
P/B (x)	5.0	4.4	3.8
EV/EBITDA (x)	10.1	9.7	8.6
Div Yield (%)	4.4	3.9	4.2

Source: SNB Capital Research estimates

MAJOR SHAREHOLDERS

Investor	% Ownership
STC	79.0%
Foreign Investors	4.7%

Source: Saudi Exchange, SNB Capital Research. As of 05 March 2026

STOCK DETAILS

M52-week range H/L (SAR)	319/170
Market cap (USD mn)	5,763
Shares outstanding (mn)	120
Listed on exchanges	Saudi Exchange

Price perform (%)	1M	3M	12M
Absolute	(18.8)	(20.7)	(41.2)
Rel. to market	(15.1)	(22.1)	(31.7)

Avg daily turnover (mn)	SAR	USD
3m	30.8	8.2
12m	30.6	8.2

Reuters code	7202.SE
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Key risks

- **Growing competition**: The growing pricing pressure due to competition in Saudi ICT sector to secure government contracts could lead to lower revenues or adversely impact margins.
- **Reliance on key clients:** A significant portion of Solution's revenue comes from its sales to STC (33% of revenue in 2025) and Government entities (44% of revenue in 2025). Although the company has long-term agreements with STC, we believe client concentration is a key risk.
- **High receivables and working capital pressure:** Total receivables stood at SAR4.7bn in 2025, with related parties representing c27%. Although the company is making efforts to improve its collections, inability to control receivables level would negatively impact future cash flows.

Valuation

We maintain our Overweight rating on Solutions with a PT of SAR209.2. To determine our PT, we have assigned a 70% weight to DCF, 15% weight to P/E and 15% to the EV/EBITDA. Below are our key inputs.

Exhibit 2: Valuation summary

				PT	Weights
Risk free	US 10-year	4.1%	DCF	209.7	70%
Adj. Beta	3-year weekly	0.96	P/E	226.4	15%
WACC		9.87%	EV/EBITDA	190.0	15%
Terminal Growth rate		3.0%	**Price Target (SAR)**	**209.2**	

Source: SNB Capital Research estimates

Sensitivity analysis

Given the sensitivity of valuations to both terminal growth and WACC, a sensitivity analysis is carried out on changes to these variables:

Exhibit 3: DCF valuation – sensitivity analysis (SAR)

		WACC				
		7.9%	**8.9%**	**9.9%**	**10.9%**	**11.9%**
Terminal growth	**2.0%**	233.2	208.2	189.6	175.2	163.7
	2.5%	250.1	220.5	199.0	182.6	169.7
	3.0%	270.5	234.9	**209.7**	190.9	176.3
	3.4%	295.5	252.0	222.1	200.3	183.7
	4.0%	327.1	272.5	236.6	211.1	192.1

Source: SNB Capital Research

Change in estimates

We have revised our 2026f-27f net income estimates downward by an average 14.7% due to slowdown in revenue growth from Core ICT division, change in revenue mix and margin pressure due to higher competition in BPO segment. The PT revision was also impacted by increased working capital requirements and lower peers' valuations.

Exhibit 4: Changes to estimates

In SAR mn, unless otherwise stated

		Old 2026f	New 2026f	% Chg	Old 2027f	New 2027f	% Chg
Revenue		14,325	13,580	(5.2)%	15,392	14,542	(5.5)%
EBIT		1,927	1,667	(13.5)%	2,084	1,801	(13.6)%
Net income		1,754	1,521	(13.3)%	1,954	1,638	(16.2)%
Price Target	**SAR**				**286.6**	**209.2**	(27.0)%

Source: SNB Capital Research estimates

Financials

Exhibit 5: Income Statement

In SAR mn, unless otherwise stated

	2025	2026f	2027f	2028f
Revenue	**12,730**	**13,580**	**14,542**	**15,543**
Growth (%)	*5.5*	*6.7*	*7.1*	*6.9*
Cost of sales	10,052	10,778	11,519	12,289
Gross income	**2,678**	**2,802**	**3,023**	**3,254**
Growth (%)	*(3.8)*	*4.6*	*7.9*	*7.7*
Gross margin (%)	*21.0*	*20.6*	*20.8*	*20.9*
Operating expenses	1,036	1,135	1,222	1,311
Opex as % of revenue	*8.1*	*8.4*	*8.4*	*8.4*
EBITDA	**1,987**	**2,080**	**2,264**	**2,455**
Growth (%)	*2.0*	*4.7*	*8.8*	*8.5*
EBITDA margin (%)	*15.6*	*15.3*	*15.6*	*15.8*
Dep. & Amortization	346	413	463	512
EBIT	**1,641**	**1,667**	**1,801**	**1,943**
Growth (%)	*(1.2)*	*1.6*	*8.0*	*7.9*
EBIT margin (%)	*12.9*	*12.3*	*12.4*	*12.5*
Interest income	106	113	114	152
Interest Expense	89.0	90.3	106.7	118.9
Others	(25.7)	(37.4)	(28.0)	(32.7)
PBT	**1,645**	**1,665**	**1,793**	**1,957**
Tax (Zakat)	132	134	144	157
Profits to minority interests	10	10	11	12
Net income	**1,503***	**1,521**	**1,638**	**1,787**
Growth (%)	*(5.9)*	*1.2*	*7.7*	*9.1*
Net margin (%)	*11.8*	*11.2*	*11.3*	*11.5*
EPS (SAR)	**12.52**	**12.68**	**13.65**	**14.89**
DPS (SAR)	**8.00**	**6.97**	**7.51**	**8.19**

Source: Company reports, SNB Capital Research estimates * Net income includes a one-off of SAR40mn related to asset sale.

Exhibit 6: Balance Sheet

In SAR mn, unless otherwise stated

	2025	2026f	2027f	2028f
Cash & cash equivalents	1,749	1,670	2,326	2,817
Murabaha time deposits	370	470	570	670
Accounts receivable	4,660	4,894	5,243	5,564
Inventories	406	528	576	626
Contract assets	2,970	3,356	3,587	3,841
Prepayments and others	589	815	945	1,088
Total current assets	**10,745**	**11,733**	**13,247**	**14,606**
PPE	363	479	582	673
Intangibles	608	602	593	583
Right of Use assets	371.8	336.3	299.2	262.7
Other non-current assets	829	847	867	888
Total non-current assets	**2,172**	**2,264**	**2,341**	**2,406**
Total assets	**12,917**	**13,997**	**15,589**	**17,012**
Short-term debt	151	243	381	362
Account payables	4,331	4,585	4,837	5,126
Lease liabilities	180.5	150.4	132.0	121.5
Deferred revenues	1,879	2,004	2,146	2,294
Contract liabilities	320	335	359	383
Other current liabilities	159	186	215	246
Total current liabilities	**7,020**	**7,503**	**8,069**	**8,533**
Long-term debt	632	632	800	800
Lease liabilities	235.8	196.5	172.4	158.8
Others	702	772	847	926
Total non-current liabilities	**1,569**	**1,600**	**1,819**	**1,885**
Total liabilities	**8,590**	**9,103**	**9,889**	**10,418**
Share capital	1,200	1,200	1,200	1,200
RE & Reserves	3,271	3,597	4,415	5,320
Treasury stock	(145)	(145)	(145)	(145)
Shareholders' equity	4,327	4,893	5,700	6,594
Minority interests	39	49	60	71
Total equity & liabilities	**12,917**	**13,997**	**15,589**	**17,012**

Source: Company reports, SNB Capital Research estimates

Exhibit 7: Cash flow Statement

In SAR mn, unless otherwise stated

	2025	2026f	2027f	2028f
Cash flow from op. (a)	**(101)**	**1,465**	**1,870**	**2,110**
Cash flow from inv. (b)	**2,018**	**(498)**	**(526)**	**(555)**
NOPLAT	1,509	1,533	1,656	1,787
WC	(1,995)	(590)	(357)	(324)
Capex	(191)	(391)	(419)	(447)
Depreciation	255	282	324	367
Free cash flow	(495)	655	1,047	1,238
Change in debt	180.7	92.5	306.2	(19.1)
Dividends	(1,190)	(960)	(837)	(901)
Cash flow from fin. (c)	**(1,298)**	**(1,047)**	**(687)**	**(1,065)**
Change in cash (a+b+c)	619	(79)	657	490
Cash at start of the year	**1,127**	**1,749**	**1,670**	**2,326**
Cash at end of the year	**1,749**	**1,670**	**2,326**	**2,817**

Source: Company reports, SNB Capital Research estimates

Exhibit 8: Key Ratios

In SAR mn, unless otherwise stated

	2025	2026f	2027f	2028f
Per share ratios (SAR)				
EPS	12.52	12.68	13.65	14.89
FCF per share	(4.12)	5.46	8.73	10.32
Cash per share	14.57	13.91	19.38	23.47
Book value per share	36.06	40.78	47.50	54.95
Div. per share	8.00	6.97	7.51	8.19
Profitability ratios (%)				
Gross margin	21.0	20.6	20.8	20.9
Operating margin	12.9	12.3	12.4	12.5
EBITDA margin	15.6	15.3	15.6	15.8
Net income margin	11.8	11.2	11.4	11.6
Operating ratios (x)				
Receivable days	134	133	132	131
Inventory days	12	14	14	15
Payable days	157	155	153	152
Cash cycle	(12)	(10)	(7)	(7)
Return ratios (%)				
ROE	34.7	31.1	29.0	27.3
ROA	11.6	10.9	10.6	10.6
ROCE	25.5	23.5	22.0	21.2
Dividend payout ratio	63.9	55.0	55.0	55.0
Valuation ratios (x)				
P/E	14.4	14.2	13.2	12.1
P/FCF	(43.7)	33.0	20.6	17.5
P/BV	5.0	4.4	3.8	3.3
EV/Sales	1.6	1.5	1.3	1.2
EV/EBITDA	10.1	9.7	8.6	7.7
Dividend yield (%)	4.4	3.9	4.2	4.5
PEG ratio	(2.4)	11.6	1.7	1.3
Solvency Ratios (%)				
Gross Debt/Equity	0.2	0.2	0.2	0.2
Net Debt/Equity	(0.2)	(0.2)	(0.2)	(0.3)
Net Debt/ EBITDA	(0.5)	(0.4)	(0.5)	(0.7)
Interest Coverage ratio	18.4	18.5	16.9	16.3
Current ratio	1.5	1.6	1.6	1.7
Quick ratio	1.5	1.5	1.6	1.6

Source: Company reports, SNB Capital Research estimates

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