

Solutions by STC (SOLUTION AB)

Buy: 2023 guidance raised as bolt-on acquisitions continue

Equities
Internet Software & Services

Saudi Arabia

- ◆ Solid 1H23 on contribution from acquisitions, private sector contribution increases. Guidance raised again
- ◆ Robust balance sheet (net cash SAR1.9bn) allows financial flexibility to support bolt-on acquisition momentum
- ◆ Maintain Buy, raise TP to SAR375.0 (from SAR330.0) as we raise estimates and roll forward our DCF

Continues to under-promise and over-deliver: Solutions reported 1H23 revenue growth of 24% y-y; (versus previous full year guidance of 16-19%) and EBITDA margin of 16.3% (versus EBITDA margin range guidance of 13-15%). It continues to exceed its own guidance and has again raised revenue growth guidance for FY 2023 to 19-22%. We think guidance may still be conservative in the context of the expected contribution from new contracts with STC (SAR382m) and NCGR (SAR444m), both starting in 3Q 2023. We forecast full year revenue growth of 23% y-y and EBITDA margin of 16.2%, both exceeding the guidance range.

Meaningful revenue contribution from new acquisitions and private sector: 1H23 revenue growth was primarily driven by strong growth in IT managed services and Core ICT services, up 34% y-y and 23% y-y, respectively, boosted by the higher contribution from the acquisitions of CCC and Giza. Whilst the reported Solutions business (ex-acquisitions) growth was only ~5%, management clarified that the company rerouted certain contracts /services through the recently acquired entities. Notably, private sector contribution to the group increased materially to 23% in 1H 2023 from 15% in 1H 2022 as the revenues from the sector increased by 94% y-y, while the contribution from STC declined to 32% from 35%, and that of government entities declined to 45% from 51% in 1H 2022.

Robust balance sheet strength allows financial flexibility: The Solutions net cash position at the end of 1H 2023 of SAR1.9bn (4.8% of the market cap) can support further bolt-on acquisitions and is reflective of the strong free cash generation and improving receivable days of the business. Solutions announced two major investments: 1) 40% stake in Devoteam Middle East (EV of SAR741.7m) and 2) participation in funding round of USD175m from various investors in US-based Nile.

Maintain Buy; M&A and new contracts to underpin earnings momentum: We view Solutions as a beneficiary of increased government spending and higher private sector capex on digitization initiatives amid a benign macro backdrop in Saudi. We raise our DCF-based TP to SAR375 (vs SAR330) on the back of the roll forward of our DCF to August 2023 and higher estimates, implying a target PE multiple of 25.4x in 2024e, which is reasonable in the context of a 25.6% EPS CAGR 2022-25e, in our view.



MAINTAIN BUY

TARGET PRICE (SAR)

375.00

PREVIOUS TARGET (SAR)

330.00

SHARE PRICE (SAR)

328.40

UPSIDE/DOWNSIDE

+14.2%

(as of 17 Aug 2023)

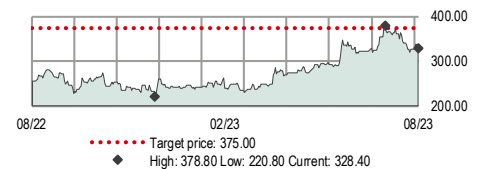
MARKET DATA

Market cap (SARm)	39,072	Free float	20%
Market cap (USDm)	10,419	BBG	SOLUTION AB
3m ADTV (USDm)	16	RIC	7202.SE

FINANCIALS AND RATIOS (SAR)

Year to	12/2022a	12/2023e	12/2024e	12/2025e
HSBC EPS	8.78	11.98	14.72	17.46
HSBC EPS (prev)	8.78	10.82	13.58	16.03
Change (%)	0.0	10.8	8.4	9.0
Consensus EPS	8.85	10.64	12.34	13.34
PE (x)	37.4	27.4	22.3	18.8
Dividend yield (%)	1.5	2.1	2.5	3.0
EV/EBITDA (x)	26.2	20.6	16.4	13.6
ROE (%)	41.6	44.7	42.9	40.7

52-WEEK PRICE (SAR)



Source: Refinitiv IBES, HSBC estimates

Ankur Agarwal*, CFA

Senior Analyst
HSBC Bank Middle East Ltd, UAE branch
ankurpagarwal@hsbc.com
+971 4 423 6558

Justin O'Ryan*

Associate
HSBC Securities (South Africa) (Pty) Ltd
justinoryan@za.hsbc.com
+27 11 676 4519

Ramesh Pantagolusula*

Associate
Bangalore

* Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to FINRA regulations

HSBC Global Emerging Markets Forum

Virtual | 18 – 29 September 2023

Register

Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: HSBC Bank Middle East Ltd, UAE branch

View HSBC Global Research at:
<https://www.research.hsbc.com>

Financials & valuation: Solutions by STC

Buy

Financial statements

Year to	12/2022a	12/2023e	12/2024e	12/2025e
Profit & loss summary (SARm)				
Revenue	8,805	10,826	12,609	14,598
EBITDA	1,392	1,758	2,129	2,460
Depreciation & amortisation	-214	-234	-248	-266
Operating profit/EBIT	1,160	1,505	1,861	2,175
Net interest	38	94	103	155
PBT	1,171	1,599	1,964	2,329
HSBC PBT	1,171	1,599	1,964	2,329
Taxation	-118	-161	-198	-234
Net profit	1,054	1,438	1,767	2,095
HSBC net profit	1,054	1,438	1,767	2,095
Cash flow summary (SARm)				
Cash flow from operations	2,091	1,439	2,414	2,544
Capex	-134	-184	-211	-240
Cash flow from investment	-2,637	699	-211	-240
Dividends	-475	-594	-811	-996
Change in net debt	-941	-246	-1,392	-1,308
FCF equity	1,957	1,255	2,203	2,304
Balance sheet summary (SARm)				
Intangible fixed assets	373	789	784	781
Tangible fixed assets	526	475	443	420
Current assets	6,682	8,609	10,107	11,994
Cash & others	544	2,088	3,480	4,788
Total assets	10,282	11,276	12,737	14,598
Operating liabilities	6,763	6,913	7,417	8,180
Gross debt	696	696	696	696
Net debt	-2,548	-2,794	-4,187	-5,494
Shareholders' funds	2,794	3,638	4,594	5,693
Invested capital	275	873	436	228

Ratio, growth and per share analysis

Year to	12/2022a	12/2023e	12/2024e	12/2025e
Y-o-y % change				
Revenue	22.2	22.9	16.5	15.8
EBITDA	25.9	26.3	21.1	15.6
Operating profit	29.0	29.7	23.7	16.8
PBT	29.5	36.6	22.9	18.6
HSBC EPS	26.5	36.5	22.9	18.6
Ratios (%)				
Revenue/IC (x)	18.8	18.9	19.3	44.0
ROIC	234.0	248.9	269.3	617.9
ROE	41.6	44.7	42.9	40.7
ROA	12.1	13.3	14.7	15.3
EBITDA margin	15.8	16.2	16.9	16.9
Operating profit margin	13.2	13.9	14.8	14.9
EBITDA/net interest (x)				
Net debt/equity	-90.3	-76.2	-90.6	-96.0
Net debt/EBITDA (x)	-1.8	-1.6	-2.0	-2.2
CF from operations/net debt				
Per share data (SAR)				
EPS Rep (diluted)	8.78	11.98	14.72	17.46
HSBC EPS (diluted)	8.78	11.98	14.72	17.46
DPS	5.00	6.76	8.30	9.85
Book value	23.28	30.32	38.28	47.44

Valuation data

Year to	12/2022a	12/2023e	12/2024e	12/2025e
EV/sales	4.1	3.4	2.8	2.3
EV/EBITDA	26.2	20.6	16.4	13.6
EV/IC	133.0	41.6	79.9	147.5
PE*	37.4	27.4	22.3	18.8
PB	14.1	10.8	8.6	6.9
FCF yield (%)	5.0	3.2	5.6	5.9
Dividend yield (%)	1.5	2.1	2.5	3.0

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2022a	Governance Indicators	12/2022a
GHG emission intensity*	NA	No. of board members	9
Energy intensity*	NA	Average board tenure (years)	2.0
CO ₂ reduction policy	No	Female board members (%)	0
Social Indicators		Board members independence (%)	33.3
Employee costs as % of revenues	5.5		
Employee turnover (%)	NA		
Diversity policy	No		

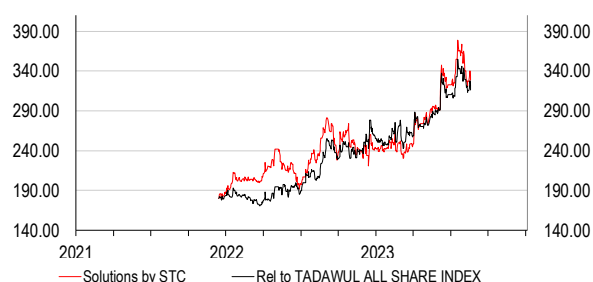
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (SAR)	328.40	Free float	20%
Target price (SAR)	375.00	Sector	Internet Software & Services
RIC (Equity)	7202.SE	Country/Region	Saudi Arabia
Bloomberg (Equity)	SOLUTION AB	Analyst	Ankur Agarwal, CFA
Market cap (USDm)	10,419	Contact	+971 4 423 6558

Price relative



Source: HSBC

Note: Priced at close of 17 Aug 2023

Investment thesis

We remain positive on Solutions after the strong quarter, with 2Q 2023 revenue up 30% y-y (1H23 up 24% y-y) and more visibility on potential contracts in the medium term. The company raised its full year revenue guidance yet again to 19-22% versus 16-19% previously, as the 1H 2023 results run rate was faster than the previous guidance. We believe Solutions will benefit from higher government spending and private sector capex on digitisation initiatives, as the financial flexibility to spend on long-term digital investments has increased given the current macro and economic backdrop.

The company has announced a series of new contracts with STC and others to provide ICT services across all its major segments.

We highlight that Solutions had signed a number of contracts valued about SAR2.0bn with STC since its IPO in 3Q21. Beyond STC, it signed a contract with National Centre for Government Resources (SAR444m) to execute unified operations managed services project.

While the majority of the major contracts announced are with STC or the government, the private sector was the fastest growing segment for Solutions. The new projects provide greater visibility on the order book but do not reflect the growing importance of the private sector, where they have multiple smaller clients. Recent acquisitions have also helped Solutions diversify its client base more towards the private sector.

Building strong order book through contracts from STC and Others

Material contract announcement	Date of announcement	Value (SARm)	Duration	Period of financial impact	Business segment	Country
Contract with STC						
Contract with STC to establish and develop the internet and communications networks for STC	6-Aug-23	382	2 years	3Q 2023	Core ICT	KSA
Contract with STC Bank to provide managed SMS service	15-May-23	132	4 years	2Q 2023	IT managed	KSA
Contract with STC to provide bulk-SMS service and connecting Solutions devices to SMSC of STC	8-Dec-22	138	1 year	4Q 2022	IT managed	KSA
Several contracts with STC to provide IT managed and logistical services for a number of projects	1-Dec-22	373	3 years	4Q 2022	IT managed	KSA
Contract with STC to establish and develop the internet and communications networks for STC	6-Jul-22	298	2 years	3Q 2022	Core ICT	KSA
Contract with STC to execute Oracle software licenses renewal project	13-Apr-22	195	3 years	2Q 2022	Core ICT	KSA
Contract with STC to implement a Centralized Storage Server and Internet Gateway	29-Dec-21	156	2 years	1Q 2022	Core ICT	KSA
Contract with STC to operate, maintain and support, IT Components	27-Oct-21	140	2 years	1Q 2022	IT managed	KSA
Contracts with STC to support building a modern data centre in NEOM.	24-Oct-21	201	3 years	4Q 2021	Core ICT/Digital	KSA
Total		2,015				
Contract with Others						
Contract with National Centre for Government Resources (NCGR)	26-Apr-23	444	42 months	3Q 2023	IT managed	KSA

Source: Company data

We also believe that potential value accretive acquisitions supported by healthy balance sheet strength could be another catalyst for Solutions as it expressed its intentions to invest and partner with various ICT companies in the region and globally. Solutions had already integrated its recent acquisitions CCC and Giza and these are instrumental in driving growth in 2Q 2023. Recently, it has announced two major investments, Devoteam Middle East (DME) and Nile:

- ◆ **Devoteam Middle East (DME):** In June 2023, Solutions signed a binding offer with Devoteam SAS (France) and ORTILL Investment Limited to acquire a 40% stake in DME at

an enterprise value of SAR741.7m. DME is focused on digital strategy and tech platforms, with 25 years of experience and service offerings including digital products, intelligent data analytics, and business automation, in addition to enabling sustainability through digital transformation.

- ◆ **Nile:** In August 2023, Solutions announced an investment in US-based enterprise networking provider Nile, which provides Network as a Service (NaaS), removes IT CapEx and brings flexibility to the campus enterprise network. Through NaaS, Solutions intends to deliver secure campus “NaaS” to customers in Saudi and other GCC countries. While the specific Solutions investment was not disclosed, it participated in a global funding round that raised USD175m from various investors. Separately, Solutions had a strategic and exclusive partnership with Nile to deliver secure campus “NaaS” to customers in Saudi Arabia, Kuwait, Bahrain, Oman and Egypt.

Solutions recent investments which will drive growth and enhance internal capability

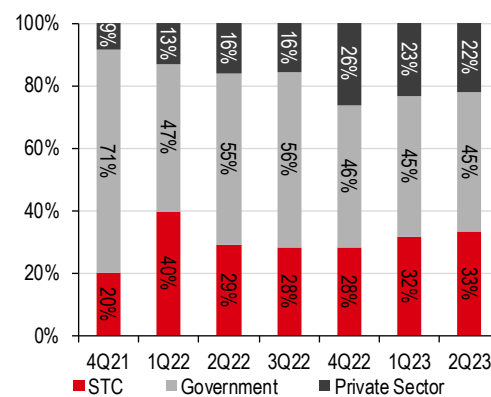
Announcement	Date of announcement	Enterprise Value (SARm)	Stake	Period of financial impact	Business segment	Country
Investment in Nile's Next Generation Access Device for Enterprise Networks	1-Aug-23	USD175m from various investors*	NA	NA	Core ICT	USA
Devoteam SAS (France) and ORTLL Investment Ltd to acquire 40% stake in Devoteam Middle East	18-Jun-23	741.7	40.0%	4Q 2023 expected	Digital IT	KSA
Acquisition of 100% of Contact Centre Company (CCC)	3-Apr-23	450	100.0%	2Q 2023	managed	KSA
Completion of acquisition of stakes in Giza Systems Company and Giza Arabia	4-Oct-22	USD 158m	88.2%	4Q 2022	Core ICT	Egypt

Source: Company data

*The investors include March Capital and Sanabil Investments, etc. along with strategic participation from solutions, Prosperity7, Liberty Global Ventures, and STC CIF (Corporate Investment Fund)

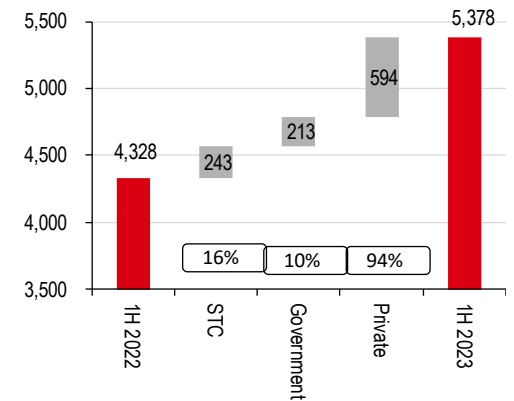
Private sector growth outpaced other customers. During 1H 2023, the private sector’s contribution to the group increased materially, to 23% from 15% in 1H 2022, as revenues from the sector increased 94% y-y. Revenue contribution from STC declined to 32% from 35% in 1H 2022 (as revenue from STC grew 16% y-y), while revenue contribution from government entities declined to 45% from 51% in 1H 2022 (as revenue from government increased 10% y-y.)

Revenue contribution by Customer type



Source: Company data

Revenue movement by customer (SARm)*



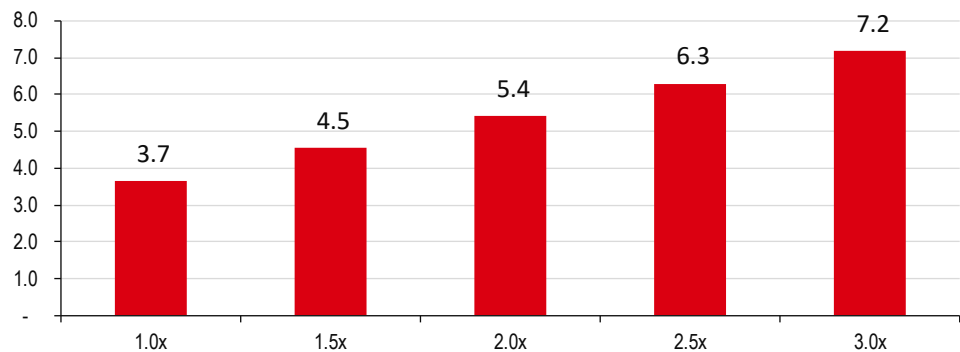
Source: Company data

*the % numbers denote y-y growth by customer type

Robust balance sheet can support multiple bolt-on acquisitions

A combination of strong growth in EBITDA, improvement in receivable days and lower capex supported the balance sheet at the end of 1H 2023. The reported net cash was SAR1.9bn (4.8% of the market cap), reflecting the SAR450m payment for CCC acquisition excluding which the net cash position would be SAR2.4bn (5.9% of market cap). Our analysis suggests, based on our 2023 EBITDA estimates, 1H23 reported net cash and assuming a Net Debt/EBITDA of 1.0x-3.0x, Solutions can deploy SAR3.7bn-7.2bn on bolt-on acquisitions.

Solutions’ balance sheet firepower in SARbn, assuming Net Debt/EBITDA of 1.0-3.0x, using FY23e EBITDA and 1H 2023 reported net cash position

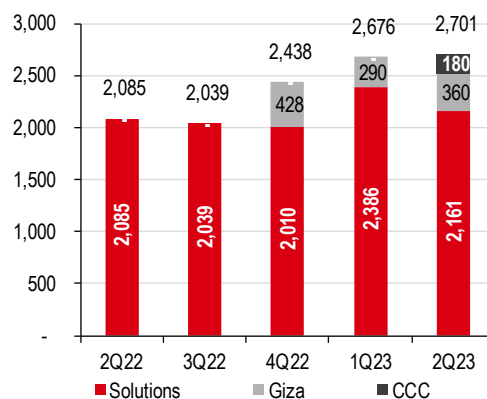


Source: Company data, HSBC analysis, HSBC estimates

Performance better than Guidance

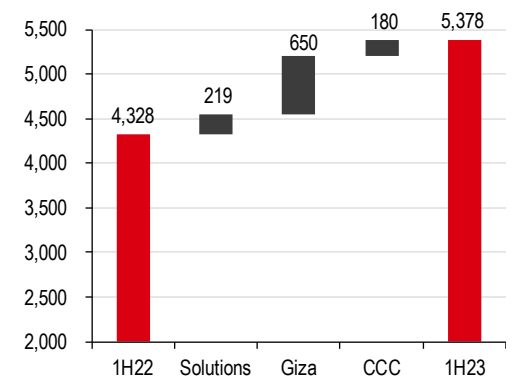
1H23 revenue growth (24% y-y) was primarily driven by strong growth in IT managed services and Core ICT services, up 34% y-y and 23% y-y, respectively, boosted by the higher contribution from the acquisitions of CCC and Giza. Whilst reported Solutions business (ex-acquisitions) growth was only 5%, management clarified that the company rerouted certain services through CCC and Giza, leading to a lower contribution from the Solutions legacy business. Overall, the recent acquisitions of CCC and Giza contributed 3% and 12% respectively to 1H23 revenue and we expect a similar contribution in 2H 2023, which would enable the company to comfortably meet/exceed guidance.

Revenue breakdown by Entity (SARm)



Source: Company data

Incremental revenue contribution from recent acquisitions (SARm)

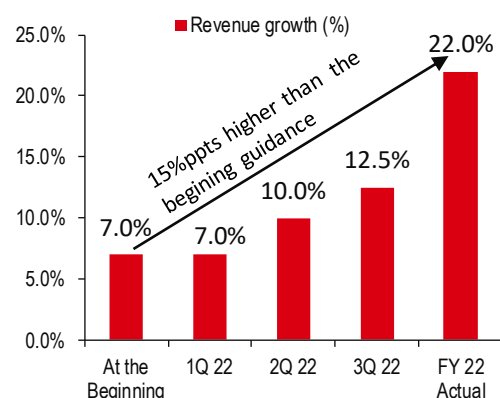


Source: Company data

We think the company’s revised full year guidance (revenue growth 19-22%) is conservative in the context of strong 1H 2023 results and potential contracts that could contribute to revenue

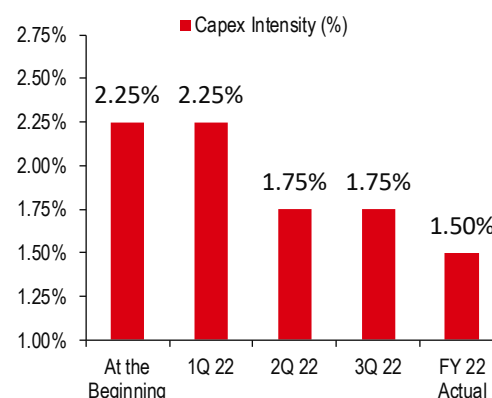
growth in 2H 2023. Similarly, 1H 2023 EBITDA margin was 16.3%, which is higher than the guidance range of 13-15%. The new contract with STC to establish and develop internet and communications networks (SAR382m), and the contract with NCGR (SAR444m) will be effective from 3Q 2023, further supporting revenue growth. Given its track record, we expect Solutions to exceed its revised guidance for full year 2023. We forecast FY23 revenue growth of 23% y-y, 100bps higher than the upper end of company guidance of 22%, in addition to a higher EBITDA margin.

Solutions by STC: FY22 Actual revenue was 15%ppts higher than initial guidance



Source: Company data, HSBC calculations based on Mid value of guidance range

Solutions by STC: FY22 Actual Capex Intensity was better than initial guidance



Source: Company data, HSBC calculations based on Mid value of guidance range

Solutions: Progressive guidance upgrades since IPO

Guidance	During IPO	3Q 21	FY21 Actual
Revenue Growth	5% - 9%	5% - 9%	+13%
EBITDA margin	13.25%	13.3%	14.2%
Capex intensity	2.5%	2.5%	2.0%

Guidance	At the Beginning	1Q 22	2Q 22	3Q 22	FY 22 Actual
Revenue Growth	5% - 9%	5% - 9%	9% - 11%	11% - 14%	+22%
EBITDA margin	13% - 15%	13% - 15%	13% - 15%	13% - 15%	15.8%
Capex intensity	2% - 2.5%	2% - 2.5%	1.5% - 2%	1.5% - 2%	1.5%

Guidance	At the Beginning	1Q 23	2Q 23
Revenue Growth	11% - 13%	16% - 19%	19% to 22%
EBITDA margin	13% - 15%	13% - 15%	13% - 15%
Capex intensity	1.5% - 2%	1.5% - 2%	1.5% - 2%

Source: Company data, HSBC calculations

Summary of estimate changes

We reflect the better than expected 2Q 2023 and the increased guidance in our revised estimates. Our higher estimates are predominantly due to better than expected performance in high margin segments such as Core ICT and IT managed segments, which further supported margin expansion. However, our revised estimates are higher than guidance for FY23 as we believe this is still conservative on the back of new contracts effective from 3Q23. The higher estimates along with the roll forward of our DCF to end of August 2023, lead to our DCF based target price rising to SAR375 (from SAR330 previously). With 14.2% implied upside, we retain our Buy rating on the stock given the strong earnings momentum and a balance sheet that can support further bolt-on acquisitions.

Solutions by STC: Summary of estimate changes

Y/E Dec	New			Old			Change		
	FY23e	FY24e	FY25e	FY23e	FY24e	FY25e	FY23e	FY24e	FY25e
SARm									
Revenue	10,826	12,609	14,598	10,475	12,158	13,986	3.4%	3.7%	4.4%
Growth (%)	22.95%	16.47%	15.77%	18.96%	16.07%	15.03%			
Gross profit	2,535	2,967	3,436	2,310	2,706	3,071	9.8%	9.6%	11.9%
Margin, %	23.4%	23.5%	23.5%	22.0%	22.3%	22.0%			
EBITDA	1,758	2,129	2,460	1,657	1,996	2,258	6.1%	6.7%	9.0%
Margin, %	16.2%	16.9%	16.9%	15.8%	16.4%	16.1%			
EBIT	1,505	1,861	2,174	1,349	1,677	1,948	11.5%	11.0%	11.6%
Margin, %	13.9%	14.8%	14.9%	12.9%	13.8%	13.9%			
Net profit	1,438	1,767	2,095	1,298	1,630	1,923	10.8%	8.4%	8.9%
Margin, %	13.3%	14.0%	14.3%	12.4%	13.4%	13.8%			

Source: Company data, HSBC estimates

Valuation and risks
**Solutions by STC
SOLUTION AB**
Buy

Current price:

SAR328.4

Target price:

SAR375.0

Up/downside:

14.2%
Valuation

Our DCF-based target price of SAR375 (vs SAR330 previously) is derived using a WACC of 8.4% (8.2% previously). We determine our WACC based on D/V (where V=Debt + Equity) of 15% (unchanged), beta of 0.8 (unchanged), equity risk premium of 6.5% (8% previously), which is 100bps higher than our strategists' latest assumption of 5.5% for Saudi to reflect the greater risk of the IT sector and potential M&A in other markets beyond Saudi Arabia. We use a risk-free rate of 3.5% (2.0% previously), in line with HSBC strategists' latest assumptions, and cost of debt of 5.5% (unchanged).

Our revised target price of SAR375.0 implies upside of 14.2% and we retain our Buy rating on the stock given its strong balance sheet, clear intent to pursue value accretive bolt-on acquisitions and our expectation of continued earnings momentum.

Risks to our view

Downside risks include: (1) Key customer concentration as STC, the largest shareholder, is also the largest single client; (2) further sell-down by STC; (3) increased competition from international and local players; (4) slowdown in IT spend by corporates; and (5) an increase in trademark fees from current levels.

 Priced at 17 Aug 2023
 Source: HSBC estimates

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Ankur Agarwal, CFA and Justin O'Ryan

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC and its affiliates, including the issuer of this report ("HSBC") believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

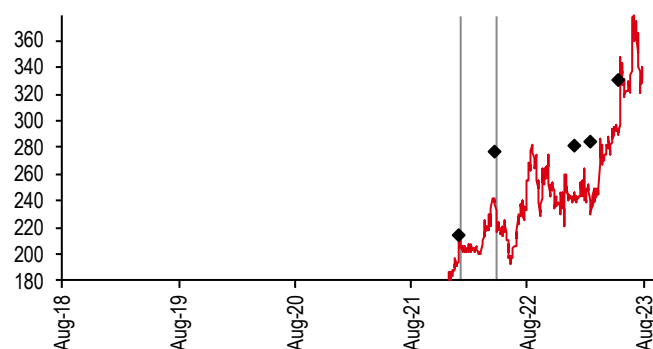
Rating distribution for long-term investment opportunities

As of 30 June 2023, the distribution of all independent ratings published by HSBC is as follows:

Buy	61%	(13% of these provided with Investment Banking Services in the past 12 months)
Hold	33%	(13% of these provided with Investment Banking Services in the past 12 months)
Sell	6%	(7% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see “Stock ratings and basis for financial analysis” above.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at <http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures>.

Share price and rating changes for long-term investment opportunities
Solutions by STC (7202.SE) share price performance
SAR Vs HSBC rating history


Source: HSBC

Rating & target price history

From	To	Date	Analyst
N/A	Hold	17 Jan 2022	Ankur Agarwal
Hold	Buy	09 May 2022	Ankur Agarwal
Target price	Value	Date	Analyst
Price 1	213.00	17 Jan 2022	Ankur Agarwal
Price 2	276.00	09 May 2022	Ankur Agarwal
Price 3	281.00	15 Jan 2023	Ankur Agarwal
Price 4	283.00	05 Mar 2023	Ankur Agarwal
Price 5	330.00	31 May 2023	Ankur Agarwal

Source: HSBC

To view a list of all the independent fundamental ratings disseminated by HSBC during the preceding 12-month period, please use the following links to access the disclosure page:

Clients of HSBC Private Banking: www.research.privatebank.hsbc.com/Disclosures

All other clients: www.research.hsbc.com/A/Disclosures

HSBC & Analyst disclosures
Disclosure checklist

Company	Ticker	Recent price	Price date	Disclosure
SOLUTIONS BY STC	7202.SE	328.40	17 Aug 2023	5

Source: HSBC

- 1 HSBC has managed or co-managed a public offering of securities for this company within the past 12 months.
- 2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- 3 At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.
- 4 As of 31 July 2023, HSBC beneficially owned 1% or more of a class of common equity securities of this company.
- 5 As of 30 June 2023, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of investment banking services.
- 6 As of 30 June 2023, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-investment banking securities-related services.
- 7 As of 30 June 2023, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-securities services.
- 8 A covering analyst/s has received compensation from this company in the past 12 months.

- 9 A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.
- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
- 11 At the time of publication of this report, HSBC is a non-US Market Maker in securities issued by this company and/or in securities in respect of this company.
- 12 As of 15 August 2023, HSBC beneficially held a net long position of more than 0.5% of this company's total issued share capital, calculated according to the SSR methodology.
- 13 As of 15 August 2023, HSBC beneficially held a net short position of more than 0.5% of this company's total issued share capital, calculated according to the SSR methodology.
- 14 HSBC Qianhai Securities Limited holds 1% or more of a class of common equity securities of this company.

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments, both equity and debt (including derivatives) of companies covered in HSBC Research on a principal or agency basis or act as a market maker or liquidity provider in the securities/instruments mentioned in this report.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking, sales & trading, and principal trading revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

Non-U.S. analysts may not be associated persons of HSBC Securities (USA) Inc, and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts.

Economic sanctions imposed by the EU, the UK, the USA and certain other jurisdictions generally prohibit transacting or dealing in any debt or equity issued by Russian SSI entities on or after 16 July 2014 (Restricted SSI Securities). Economic sanctions imposed by the USA also generally prohibit US persons from purchasing or selling publicly traded securities issued by companies designated by the US Government as "Chinese Military-Industrial Complex Companies" (CMICs) or any publicly traded securities that are derivative of, or designed to provide investment exposure to, the targeted CMIC securities (collectively, Restricted CMIC Securities). This report does not constitute advice in relation to any Restricted SSI Securities or Restricted CMIC Securities, and as such, this report should not be construed as an inducement to transact in any Restricted SSI Securities or Restricted CMIC Securities.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research. HSBC Private Banking clients should contact their Relationship Manager for queries regarding other research reports. In order to find out more about the proprietary models used to produce this report, please contact the authoring analyst.

Additional disclosures

- 1 This report is dated as at 21 August 2023.
- 2 All market data included in this report are dated as at close 17 August 2023, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

Production & distribution disclosures

1. This report was produced and signed off by the author on 18 Aug 2023 13:38 GMT.
2. In order to see when this report was first disseminated please see the disclosure page available at <https://www.research.hsbc.com/R/34/WwcsChz>

Disclaimer

Legal entities as at 30 June 2023:

'UAE' HSBC Bank Middle East Limited, DIFC; HSBC Bank Middle East Limited, UAE branch; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Taiwan) Corporation Limited; 'CA' HSBC Securities (Canada) Inc.; 'France' HSBC Continental Europe; 'Spain' HSBC Continental Europe, Sucursal en España; 'Italy' HSBC Continental Europe, Italy; 'Sweden' HSBC Continental Europe Bank, Sweden Filial; 'DE' HSBC Continental Europe S.A., Germany; '000 HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt SAE, Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; HSBC Bank plc, London, Tel Aviv; 'US' HSBC Securities (USA) Inc., New York; HSBC Yatirim Menkul Degerler AS, Istanbul; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; HSBC Bank Australia Limited; HSBC Bank Argentina SA; HSBC Saudi Arabia Limited; The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR; The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch; PT Bank HSBC Indonesia; HSBC Qianhai Securities Limited; Banco HSBC SA

Issuer of report

HSBC Bank Middle East Ltd, UAE branch
HSBC Tower, Downtown Dubai
PO Box 66
Dubai UAE
Telephone: +971 4 4235031
Fax: +971 4 4267397
Website: www.research.hsbc.com

In the UAE this document has been approved by HSBC Bank Middle East Ltd ("HBME") for the information of its customers and those of its affiliates only. HBME is incorporated in the Dubai International Financial Centre, regulated by the Central Bank of the UAE and the Securities and Commodities Authority-License No. 602004, and lead regulated by the Dubai Financial Services Authority. Within UAE, HBME issues Research via HSBC Bank Middle East Limited, DIFC, located within the Dubai International Financial Centre and regulated by the Dubai Financial Services Authority, as well as through HSBC Bank Middle East Limited UAE branch, regulated by the Securities and Commodities Authority under License No. 602004 (Fifth Category) for Financial Consultation and Financial Analysis.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. The information contained herein is under no circumstances to be construed as investment advice and is not tailored to the needs of the recipient. All US persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report.

In the UK, this publication is distributed by HSBC Bank plc for the information of its Clients (as defined in the Rules of FCA) and those of its affiliates only. Nothing herein excludes or restricts any duty or liability to a customer which HSBC Bank plc has under the Financial Services and Markets Act 2000 or under the Rules of FCA and PRA. A recipient who chooses to deal with any person who is not a representative of HSBC Bank plc in the UK will not enjoy the protections afforded by the UK regulatory regime. HSBC Bank plc is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. If this research is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate.

In the European Economic Area, this publication has been distributed by HSBC Continental Europe or by such other HSBC affiliate from which the recipient receives relevant services.

In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (ABN 48 006 434 162, AFSL No. 232595).

These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. This publication is distributed in New Zealand by The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR.

This publication has been distributed in Japan by HSBC Securities (Japan) Limited. It may not be further distributed, in whole or in part, for any purpose. In Hong Kong, this document has been distributed by The Hongkong and Shanghai Banking Corporation Limited in the conduct of its Hong Kong regulated business for the information of its institutional and professional customers; it is not intended for and should not be distributed to retail customers in Hong Kong. The Hongkong and Shanghai Banking Corporation Limited makes no representations that the products or services mentioned in this document are available to persons in Hong Kong or are necessarily suitable for any particular person or appropriate in accordance with local law. All inquiries by such recipients must be directed to The Hongkong and Shanghai Banking Corporation Limited. In Korea, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. HBAP SLS is regulated by the Financial Services Commission and the Financial Supervisory Service of Korea. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. Only Economics or Currencies reports are intended for distribution to a person who is not an Accredited Investor, Expert Investor or Institutional Investor as defined in SFA. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch accepts legal responsibility for the contents of reports. This publication is not a prospectus as defined in the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. Please refer to The Hongkong and Shanghai Banking Corporation Limited Singapore Branch's website at www.business.hsbc.com.sg for contact details.

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. HSBC has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. From time to time research analysts conduct site visits of covered issuers. HSBC policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognised market it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed.

In Canada, this document has been distributed by HSBC Securities (Canada) Inc. (member IIROC), and/or its affiliates. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offense. In Brazil, this document has been distributed by Banco HSBC SA ("HSBC Brazil"), and/or its affiliates. As required by Resolution No. 20/2021 of the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários), potential conflicts of interest concerning (i) HSBC Brazil and/or its affiliates; and (ii) the analyst(s) responsible for authoring this report are stated on the chart above labelled "HSBC & Analyst Disclosures".

If you are a customer of HSBC Wealth & Personal Banking ("WPB"), including Global Private Banking, you are eligible to receive this publication only if: (i) you have been approved to receive relevant research publications by an applicable HSBC legal entity; (ii) you have agreed to the applicable HSBC entity's terms and conditions and/or customer declaration for accessing research; and (iii) you have agreed to the terms and conditions of any other internet banking, online banking, mobile banking and/or investment services offered by that HSBC entity, through which you will access research publications (collectively with (ii), the "Terms"). If you do not meet the above eligibility requirements, please disregard this publication and, if you are a WPB customer, please notify your Relationship Manager or call the relevant customer hotline. Distribution of this publication is the sole responsibility of the HSBC entity with whom you have agreed the Terms. Receipt of research publications is strictly subject to the Terms and any other conditions or disclaimers applicable to the provision of the publications that may be advised by WPB.

© Copyright 2023, HSBC Bank Middle East Ltd, UAE branch, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Bank Middle East Ltd. MCI (P) 017/01/2023, MCI (P) 027/10/2022

[1218790]