

Arabian Internet and Communications Services (Solutions)

Sector : Information Technology

12 March 2026

- Revenue grew 5.5% YoY in 2025, supported by IT managed and operational services.
- Margins declined YoY and fell short of projections.
- Profit declined 5.6% YoY and missed estimate by 12%.
- For 2026e, we forecast revenue of SAR 13.5bn and profit of SAR 1.6bn. We lower our target price to SAR 210 per share and downgrade our rating to BUY from STRONG BUY.

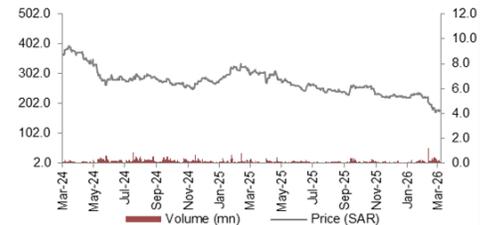
BUY

Target price (SAR) 210.0

Current price (SAR) 179.9

Return 16.7%

Arabian Internet and Communications Services (Solutions) reported 2025 revenue of SAR 12.7bn, up 5.5% YoY and broadly in line with our estimate. 4Q25 revenue rose 4.7% YoY to SAR 288mn. Topline growth was driven by a strong backlog of SAR 13.7bn, with a significant number of new projects secured in 2H25. IT managed and operational services remained the main growth driver, rising 10% YoY in 2025, reflecting the strong performance of Solutions managed services portfolio and the outsourcing and BPO business of Upsource. Core ICT services which contributed 50% of revenue, grew 3% YoY, while digital services revenue also rose 3% YoY, supported by the expansion of cloud offerings and capabilities.



Exchange Saudi Arabia
 Index weight (%) 0.2%

(mn)	SAR	USD
Market Cap	21,588	5,753
Enterprise value	26,281	7,004

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)	14.3
P/Book (x)	5.0
EV/EBITDA (x)	13.2
Dividend Yield (%)	4.4
Free Float (%)	19%
Shares O/S (mn)	120
YTD Return (%)	-20%
Beta	1.2

Key ratios	2023	2024	2025
EPS (SAR)	9.93	13.31	12.52
BVPS (SAR)	27.70	33.40	35.73
DPS (SAR)	6.00	10.00	8.00
Payout ratio (%)	60%	75%	63%

Price performance (%)	1M	3M	12M
Arabian Internet & Comn	-19%	-23%	-41%
Tadawul All Share Index	-3%	2%	-7%

52 week	High	Low	CTL*
Price (SAR)	316.8	170.1	5.8

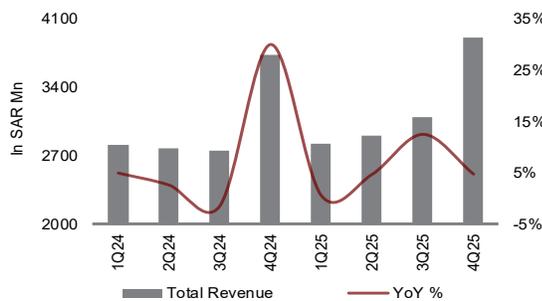
* CTL is % change in CMP to 52wk low

Gross profit fell 3.8% YoY as direct costs increased 8.3% YoY, outpacing revenue growth. This reflected a shift in project mix towards integration projects and lower margin connectivity services, regulatory changes and the temporary timing effects of margin recognition at specific project milestones. As a result, gross margin contracted 200bps YoY to 21% in 2025. In 4Q25, gross margins for Solutions (standalone) declined to 18% (vs 19.7% in 4Q24), Giza remained stable YoY at 25%, while Upsource margins decreased to 10.2% (vs 16.4% in 4Q24). SG&A expenses declined 7.7% YoY during the year supported by the release of provisions for bad receivables and contract assets. Despite controlled operating expenses, EBIT and EBITDA margins declined by 90bps and 50bps YoY to 12.9% and 15.6%, respectively. Finance costs increased 21% YoY, mainly due to higher lease liabilities compared with the same period last year. Finance income declined 7% YoY on lower interest rate environment. Other expenses decreased substantially YoY, while the share of profit from equity-accounted investees doubled YoY. Additionally, tax expense increased threefold YoY in 2025, reflecting a zakat reversal recorded in 2024. Consequently, net profit for the year declined 5.6% YoY to SAR 1.5bn, with net margin contracting 140bps YoY to 11.9%. Profit came in 12% below our forecast, with margins underperforming expectations. Net profit in 4Q25 fell 15% YoY to SAR 288mn. For 2025, Solutions declared a cash dividend of SAR 8/share, representing a total distribution of SAR 953mn (80% of share capital) and a payout ratio of 63%.

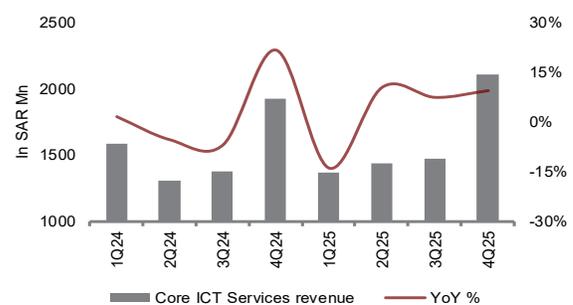
Solutions has also launched a joint venture with Nile to deliver secure AI powered and advanced networking solutions, aimed at strengthening digital infrastructure in KSA and across MENA. Strategic collaborations with high profile partners, including CloudBlue, Armada, Motorola and Dell Technologies are expected to contribute to revenue and earnings in 2026 and beyond.

Valuation and outlook: Solutions maintains market leadership in the fragmented Saudi IT services market, holding over 20% market share. Management is actively shifting services to cater to new market dynamics, including offering subscription and installment models, which are well received by clients and help protect market share. Management expects the cloud business, including new offerings like OneCloud and GPU as a service, to become a high margin, recurring revenue stream. In particular, GPU as a service is anticipated to have a significant margin impact on financials. Revenue growth for 2025 came in below the guided range of 8-10%, as portion of revenue, primarily from government segments, shifted to 1H26 due to delays in project awards and early-stage execution timelines. For 2026e, management guides revenue growth of 6-8%, with an EBITDA margin of 14-16% and capex at 2-3% of revenue. The guidance reflects a conservative outlook, driven by concerns over a potential slowdown in government spending and lower revenue contributions from STC in 2025. While revenue came broadly in line with expectations, profit and margins fell short of forecasts. Given the current geopolitical escalation, we expect operational headwinds to weigh on 1Q26 growth. Accordingly, we forecast 2026e revenue of SAR 13.5bn and profit of SAR 1.6bn, at the lower end of management’s guided range. We therefore reduce our target price to SAR 210, implying an upside potential of 16.7% from current levels and downgrade our rating to BUY from STRONG BUY. At the current price, the stock trades at 13.4x 2025e EPS and offers a dividend yield of 4.5%.

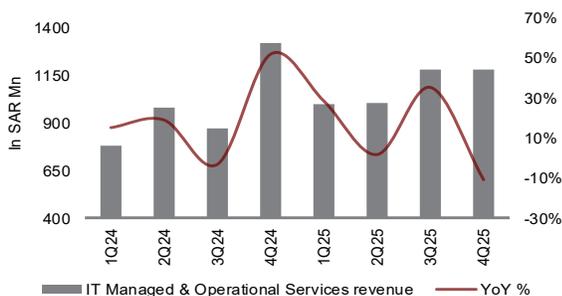
Revenue grew on strong backlog of projects



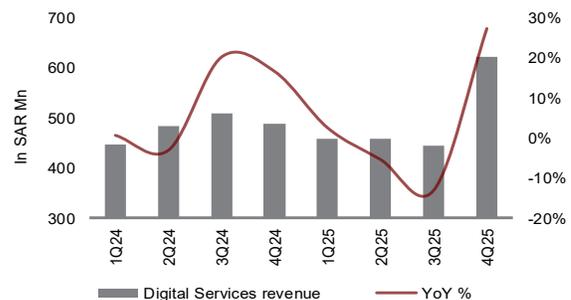
New projects drive core ICT revenue growth



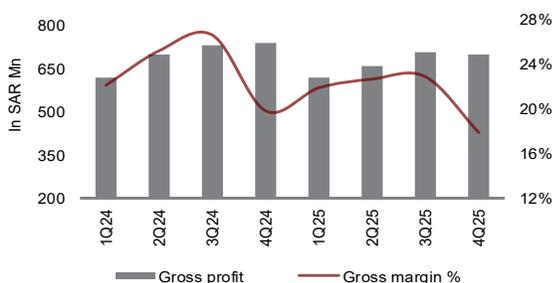
IMOS declined 11% YoY on higher base effect last year



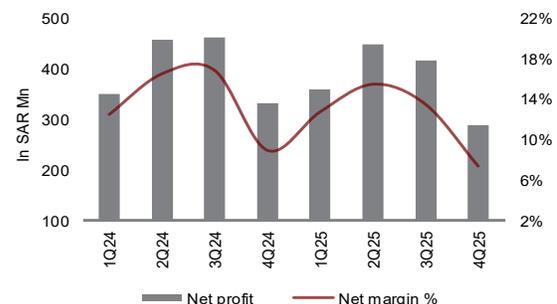
Strong Cloud offerings lifts digital revenue



Gross margin drops to 17.9% on changes in project mix



Cost and tax pressures hit net margin in 4Q25





Income statement (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	8,805	11,040	12,064	12,730	13,545	14,702	15,562	16,497
Direct Costs	-6,794	-8,443	-9,281	-10,052	-10,565	-11,394	-12,061	-12,702
Gross Profit	2,011	2,598	2,783	2,678	2,980	3,308	3,502	3,794
General and admin expenses	-605	-715	-720	-731	-813	-882	-934	-990
Selling and distribution expenses	-246	-496	-402	-306	-406	-441	-467	-495
EBIT	1,160	1,387	1,661	1,641	1,761	1,985	2,101	2,310
EBITDA	1,392	1,669	1,948	1,987	2,155	2,436	2,609	2,875
Finance income	-	145	114	106	100	100	100	100
Finance cost	38	-76	-74	-89	-86	-86	-86	-86
Other income/(expenses), net	-28	-52	-65	-26	-27	-15	-16	-16
PBT	1,171	1,405	1,642	1,645	1,759	1,996	2,111	2,319
Tax	-118	-210	-39	-132	-141	-160	-169	-185
Net Profit	1,054	1,195	1,603	1,512	1,619	1,836	1,942	2,133
Balance Sheet (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and cash equivalents	544	2,588	1,127	1,749	1,769	2,228	2,784	3,428
Murabaha time deposits	2,701	850	2,575	370	370	370	370	370
Other current assets	195	554	436	589	677	735	778	825
Contract assets	1,277	1,691	2,249	2,970	3,115	3,381	3,579	3,794
Inventories	322	249	212	406	427	460	487	513
Total current assets	9,383	10,296	10,359	10,745	11,099	12,321	13,446	14,704
Non-current investments and other assets	12	150	268	481	481	481	481	481
Investment in equity accounted investees	-	3	341	348	348	348	348	348
Intangible assets and goodwill	373	626	557	608	593	584	579	579
Property and equipment	473	390	425	363	437	499	541	562
Right of use assets	41	50	90	372	460	544	622	696
Total non-current assets	899	1,220	1,681	2,172	2,319	2,456	2,571	2,665
TOTAL ASSETS	10,282	11,516	12,040	12,917	13,419	14,777	16,017	17,369
Share capital	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Reserves	9	-60	-261	-300	-300	-300	-300	-300
Treasury Shares	-156	-154	-151	-145	-145	-145	-145	-145
Retained earnings	1,432	2,338	3,220	3,532	4,191	5,060	5,906	6,880
Total Equity attributable to shareholders	2,794	3,324	4,008	4,287	4,946	5,816	6,662	7,635
Minority Interest	29	29	22	40	40	40	40	40
Total equity	2,823	3,353	4,030	4,327	4,986	5,855	6,701	7,675
Lease and other liabilities	16	19	104	236	236	236	236	236
End of service indemnities	261	450	582	702	702	702	702	702
Borrowings	502	499	642	632	632	632	632	632
Total non-current liabilities	803	968	1,328	1,569	1,569	1,569	1,569	1,569
Trade payables, accruals and other liabilities	2,573	3,315	3,887	4,512	4,226	4,558	4,824	5,081
Deferred revenue	3,266	3,049	2,090	1,879	2,007	2,165	2,292	2,413
Contract liabilities	488	380	467	320	320	320	320	320
Zakat and income tax payable	136	240	146	159	159	159	159	159
Bank overdraft and borrowings	194	211	93	151	151	151	151	151
Total current liabilities	6,656	7,195	6,683	7,020	6,863	7,352	7,746	8,124
Total liabilities	7,459	8,164	8,010	8,590	8,433	8,922	9,315	9,694
Total equity and liabilities	10,282	11,516	12,040	12,917	13,419	14,777	16,017	17,369
Cash Flow (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	2,091	1,715	1,509	-101	1,615	2,107	2,367	2,556
Investing cash flow	-3,191	1,036	-2,127	2,018	-339	-368	-389	-413
Financing cash flow	57	-689	-807	-1,298	-1,256	-1,279	-1,422	-1,499
Change in cash	-1,064	2,044	-1,461	622	20	459	556	644
Beginning cash	1,608	544	2,588	1,127	1,749	1,769	2,228	2,784
Ending cash	544	2,588	1,127	1,749	1,769	2,228	2,784	3,428



Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	8.774	9.935	13.305	12.521	13.421	15.223	16.103	17.687
BVPS (SAR)	23.285	27.700	33.397	35.728	41.216	48.463	55.513	63.628
DPS (SAR)	5.000	6.000	10.000	8.000	8.053	9.134	9.662	10.612
FCF per share (SAR)	-9.167	22.929	-5.147	15.977	10.629	14.488	16.480	17.858
Valuation								
Market Cap (SAR, Millions)	29,136	41,976	32,400	27,012	21,588	21,588	21,588	21,588
EV (SAR, Millions)	29,304	40,117	32,112	26,281	20,837	20,378	19,822	19,179
EBITDA	1,392	1,669	1,948	1,987	2,155	2,436	2,609	2,875
P/E (x)	27.7	35.2	20.3	18.0	13.4	11.8	11.2	10.2
EV/EBITDA (x)	21.0	24.0	16.5	13.2	9.7	8.4	7.6	6.7
Price/Book (x)	10.4	12.6	8.1	6.3	4.4	3.7	3.2	2.8
Dividend Yield (%)	2.1%	1.7%	3.7%	3.6%	4.5%	5.1%	5.4%	5.9%
Price to sales (x)	3.3	3.8	2.7	2.1	1.6	1.5	1.4	1.3
EV to sales (x)	3.3	3.6	2.7	2.1	1.5	1.4	1.3	1.2
Liquidity								
Cash Ratio (x)	0.1	0.4	0.2	0.2	0.3	0.3	0.4	0.4
Current Ratio (x)	1.4	1.4	1.6	1.5	1.6	1.7	1.7	1.8
Quick Ratio (x)	1.4	1.4	1.5	1.5	1.6	1.6	1.7	1.7
Returns Ratio								
ROA (%)	10.2%	10.4%	13.3%	11.7%	12.1%	12.4%	12.1%	12.3%
ROE (%)	37.3%	35.6%	39.8%	35.0%	32.5%	31.4%	29.0%	27.8%
ROCE (%)	29.1%	27.7%	29.9%	25.6%	24.7%	24.7%	23.5%	23.1%
Cash Cycle								
Inventory turnover (x)	21	34	44	25	25	25	25	25
Accounts Payable turnover (x)	2.6	2.5	2.4	2.2	2.5	2.5	2.5	2.5
Receivables turnover (x)	2.0	2.5	3.2	2.7	2.9	2.9	2.9	2.9
Inventory days	17	10.7	8.3	14.8	14.8	14.8	14.8	14.8
Payable Days	138	143	153	164	146	146	146	146
Receivables days	180	144	114	134	128	128	128	128
Profitability Ratio								
Net Margins (%)	12.0%	10.8%	13.3%	11.9%	11.9%	12.5%	12.5%	12.9%
EBITDA Margins (%)	15.8%	15.1%	16.1%	15.6%	15.9%	16.6%	16.8%	17.4%
PBT Margins (%)	13.3%	12.7%	13.6%	12.9%	13.0%	13.6%	13.6%	14.1%
EBIT Margins (%)	13.2%	12.6%	13.8%	12.9%	13.0%	13.5%	13.5%	14.0%
Leverage								
Total Debt (SAR, Millions)	712	729	839	1,018	1,018	1,018	1,018	1,018
Net Debt (SAR, Millions)	168	-1,859	-288	-731	-751	-1,210	-1,766	-2,409
Debt/Equity (x)	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Net Debt/EBITDA (x)	0.1	-1.1	-0.1	-0.4	-0.3	-0.5	-0.7	-0.8
Net Debt/Equity (x)	0.1	-0.6	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3



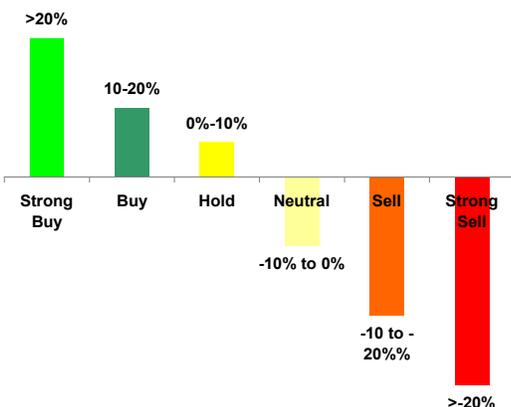
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Rating Criteria and Definitions

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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