

Normalized Profits Up +7% Q/Q

November 05, 2025

Upside to Target Price	43.0%
Expected Dividend Yield	1.0%
Expected Total Return	44.0%

Rating	Buy
Last Price	SAR 828.50
12-mth target	SAR 1,185.00

Market Data	
52-week high/low	SAR 1,289.0/806.5
Market Cap	SAR 66,280 mln
Shares Outstanding	80 mln
Free-float	32.99%
12-month ADTV	71,839
Bloomberg Code	ELM AB

Elm	3Q2025	3Q2024	Y/Y	2Q2025	Q/Q	RC Estimate
Sales	2,535	1,871	35%	2,245	13%	2,498
Gross Profit	1,071	830	29%	954	12%	1,047
Gross Margins	42%	44%		42%		42%
Operating Profit	584	494	18%	513	14%	609
Net Profit	559	498	12%	590	(5%)	593

(All figures are in SAR mln)



- Elm reported a record-high topline of SAR 2.54 bln (+35% Y/Y, +13% Q/Q), in line with our SAR 2.50 bln estimate. This growth was primarily driven by the consolidation of Thiqah, which contributed SAR 370 mln (14.6%) to topline, split between SAR 170 mln (10%) to Digital Business (DB) and SAR 200 mln (29%) to Business Process Outsourcing (BPO). Given that Thiqah's acquisition was completed on May 1, 2025, Y/Y and Q/Q comparisons are not fully like for like. Excluding the consolidation impact, Elm's standalone business continued to show robust organic growth, rising +16% Y/Y and +8% Q/Q to SAR 2.16 bln, keeping it on track and in line with management's guidance for Elm standalone and our estimates. Consolidated growth was driven by surge across all segments: DB (+24.7% Y/Y, +12.8% Q/Q), BPO (+71.3% Y/Y, +12.9% Q/Q), and Professional Services (+62.1% Y/Y, +17.1% Q/Q). Additionally, during 9M2025, the Top 6 Products topline grew +11% to SAR 2.91 bln. Based on management's consolidated topline growth guidance for 2025 of 33-35%, we estimate that 4Q2025 revenues could surge nearly +50% Y/Y to a new record.
- Gross margin stood at 42.2%, in line with our 41.9% estimate, though below 44.4% last year and 42.5% last quarter. The contraction came from the DB segment, despite being likely supported by a change in revenue recognition from Principal to Agent for a few agreements within the segment. This resulted in a +29% Y/Y and +12% Q/Q rise in gross profit to SAR 1.07 bln, in line with our SAR 1.05 bln estimates.
- However, OPEX rose +45% Y/Y and +10% Q/Q to SAR 487 mln due to the consolidation, above our SAR 439 mln estimate. This was the main contributor to the profit variance vs. our estimate. Consequently, operating margin came in at 23.0%, below 26.4% last year, flat Q/Q, and below our estimate.
- Bottomline came in at SAR 559 mln (+12% Y/Y, -5% Q/Q), below market consensus of SAR 618 mln but close to our SAR 593 mln estimate. Adjusting for a one-off Zakat reversal of SAR 69 mln recorded last quarter, normalized earnings would have risen +7% Q/Q. Sequential profit growth in 4Q2025 remains our key indicator, as it will provide better visibility and confidence. We maintain our Buy rating and SAR 1,185.00 target price.

Disclaimer

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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