

The Quarter And The Year To Forget

4Q disappoints with revenue/EPS 8%/35% below consensus and overall FY25 revenue growth coming in at 5.5% vs 8-10% reiterated guide. Digital (+41% Q/Q) was the only bright spot. The call (tbc) will focus on FY26 guide (VA cons implies 11% rev growth based on FY25A) and FCF. On 15.5x 12m fwd cons P/E the stock is 34% below all-time avg; yet we expect a sell-off today. Overall 4Q bodes well with our recent [deep-dive into Saudi B2G](#) and still Hold on stc.

Revenue 8% below consensus, FY25 guide missed. Solutions reported revenue of SAR3,907m, 7.7% below cons and 7.4% below JEFc. FY25 growth was 5.5% vs 8-10% guidance (original and reiterated throughout 2025). Thus, in 4Q the Y/Y growth decelerated to 4.7% vs 12.5% in 3Q25. **Segment wise:** (1) Core ICT services were 9.3% Y/Y vs 7.4%/10.4% in 3Q/2Q; (2) IT Managed & Operational services were -10.6% Y/Y vs 35.4%/2.0% in 3Q/2Q; (3) Digital services were 28.0% Y/Y vs -12.9%/-5.3% in 3Q/2Q.

EBITDA margin 100bp below consensus. Gross profit came in at SAR699m, 16.4% below consensus, 18.0% below JEFc and GPM at 17.9%, -190bp Y/Y and 190bp/230bp below cons/JEFc. EBITDA stood at SAR479m, 14.8% below consensus (Visible Alpha) and 8.8% below JEFc with margin at 12.3%, -70bp Y/Y, 100bp below cons and 20bp below JEFc.

35% EPS miss. Net income was SAR279m, 34.7%/30.8% below cons/JEFc, -14.6% Y/Y. We note that 8.8% JEFc EBITDA miss was exacerbated by D&A coming in 73% above JEFc.

Focus points for 4Q call (tbc). (1) FY26 guidance; based on FY25 actuals, current consensus expectations (VA) are 10.7% revenue growth, 16.0% EBITDA margin and 1.9% capex sales; JEFc is 9.7%/15.4%/2.0% respectively; (2) Disclosure of 4Q25 backlog (3Q25 was SAR13.5bn, 4Q24 was SAR13bn); (3) more colour on B2G spend and competition; (4) more colour on the digital segment which was the bright spot in 4Q - contribution of Riyadh Parking and scope to increase it in 2026; (5) FCF trends (not yet available in the Tadawul release).

FLASH NOTE

RATING	HOLD
PRICE	SAR225.90*
PRICE TARGET % TO PT	SAR250.00 +11%
52W HIGH-LOW	SAR340.00 - SAR219.00
FLOAT (%) ADV MM (USD)	21.0% 22.94
MARKET CAP	SAR27.1B \$7.2B
TICKER	SOLUTION AB

*Prior trading day's closing price unless otherwise noted.

Exhibit 1 - Solutions 4Q25 vs Consensus / JEFc

Revenue 7.7% below; Net income 34.7% below

SAR m. %	4Q25A	A vs C	A vs J	Y/Y	Q/Q
Revenue	3,907	-7.7%	-7.4%	4.7%	26.1%
Core ICT Services	2,105		0.2%	9.3%	42.7%
IT Managed and Operational Services	1,176		-25.7%	-10.6%	-0.2%
Digital Services	625		16.4%	28.0%	40.9%
Gross profit	699	-16.4%	-18.0%	-5.3%	-1.1%
Gross margin	17.9%	-1.9pp	-2.3pp	-1.9pp	-4.9pp
EBITDA	479	-14.8%	-8.8%	-1.3%	-11.0%
EBITDA margin	12.3%	-1.0pp	-0.2pp	-0.7pp	-5.1pp
Operating Profit (EBIT)	362	-25.2%	-21.0%	-10.8%	-21.7%
EBIT margin	9.3%	-2.2pp	-1.6pp	-1.6pp	-5.7pp
Finance and other income, min. (net)	(42)			45.3%	523.1%
Zakat	(41)		-25.9%		5.4%
Net profit attributable	279	-34.7%	-30.8%	-14.6%	-33.0%
Net profit margin	7.1%	-3.0pp	-2.4pp	-1.6pp	-6.3pp

Source: Company reports, Visible Alpha, Jefferies

Exhibit 2 - Solutions' reported revenue growth by segment

IT Managed and Operational Services underperforms

By Group	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue	18%	29%	40%	16%	2%	-2%	22%	23%	19%	7%	2%		
Core ICT Services	37%	47%	53%	30%	15%	10%	-2%	52%	29%	2%	8%		
IT Managed and Operational Services	14%	18%	-4%	-4%	1%	-3%	20%	17%	3%	-5%	-17%		
Digital Services	6%	4%	7%	7%	2%	7%	-1%	19%	32%	2%	1%		
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EBITDA	1%												
EBIT	1%												
EBIT margin	6%	4%	7%	7%	2%	7%	-1%						

Exhibit 3 - Solutions 4Q25 vs Consensus / JEFe (detailed)

Revenue 7.7% below; Net income 34.7% below

SAR m, %	4Q24A	1Q25A	2Q25A	3Q25A	4Q25A	4Q25C	A vs C	4Q25J	A vs J	Y/Y	Q/Q
Revenue	3,731	2,824	2,902	3,098	3,907	4,232	-7.7%	4,221	-7.4%	4.7%	26.1%
Core ICT Services	1,926	1,365	1,440	1,475	2,105			2,100	0.2%	9.3%	42.7%
IT Managed and Operational Services	1,316	1,000	1,002	1,179	1,176			1,583	-25.7%	-10.6%	-0.2%
Digital Services	489	458	459	444	625			537	16.4%	28.0%	40.9%
Cost of sales	(2,992)	(2,207)	(2,246)	(2,391)	(3,208)	(3,396)	-5.5%	(3,368)	-4.8%	7.2%	34.2%
Gross profit	738	616	656	707	699	836	-16.4%	853	-18.0%	-5.3%	-1.1%
Gross margin	19.8%	21.8%	22.6%	22.8%	17.9%	19.8%	-1.9pp	20.2%	-2.3pp	-1.9pp	-4.9pp
Opex ex-D&A	(253)	(169)	(134)	(168)	(220)	(273)	-19.6%	(327)	-32.8%	-13.1%	30.5%
EBITDA	486	448	521	538	479	563	-14.8%	526	-8.8%	-1.3%	-11.0%
EBITDA margin	13.0%	15.9%	18.0%	17.4%	12.3%	13.3%	-1.0pp	12.5%	-0.2pp	-0.7pp	-5.1pp
ECL provisions	(14)	25	15	26				(15)			
Impairments and other adjustments	0	0	0	0				0			
Clean EBITDA	499	423	506	512				541			
Clean EBITDA margin	13.4%	15.0%	17.4%	16.5%				12.8%			
D&A	(80)	(77)	(76)	(76)	(118)	(79)	48.2%	(68)	73.0%	46.8%	54.5%
Operating Profit (EBIT)	406	371	446	462	362	484	-25.2%	458	-21.0%	-10.8%	-21.7%
EBIT margin	10.9%	13.1%	15.4%	14.9%	9.3%	11.4%	-2.2pp	10.8%	-1.6pp	-1.6pp	-5.7pp
Finance and other income, min. (net)	(29)	21	21	(7)	(42)			0		45.3%	523.1%
Zakat	(50)	(32)	(21)	(39)	(41)			(55)	-25.9%		5.4%
Net profit attributable	327	361	446	417	279	428	-34.7%	403	-30.8%	-14.6%	-33.0%
Net profit margin	8.8%	12.8%	15.4%	13.5%	7.1%	10.1%	-3.0pp	9.6%	-2.4pp	-1.6pp	-6.3pp

Source: Company reports, Visible Alpha, Jefferies

Company Description

Solutions by stc

Solutions by stc engages in the provision of information technology consulting and systems integration services. It operates through the following segments: Core ICT Services, IT Managed and Operational Services, and Digital Services. The company was founded on January 11, 2003 and is headquartered in Riyadh, Saudi Arabia.

Company Valuation/Risks

Solutions by stc

We derive our SAR250 PT based on a DCF model. Our key assumptions include:

1. 3.0% PGR,
2. 16.0% terminal EBITDA margin,
3. 1.5% terminal capex/revenue,
4. 9.9% WACC.
5. We use transaction valuation to calculate value of a 40% stake in Devoteam Middle East.

Key downside risks include:

1. Weaker-than-expected Saudi macro, reliant on oil prices;
2. Intensifying competition in the Saudi IT, including with global players;
3. Limited diversification from stc and legacy services curbing growth potential amidst workloads transition to the cloud;
4. Tech talent scarcity and elevated attrition affecting margins;
5. FCF pressure from unfavourable working capital dynamics;
6. M&A-related execution risks.

Saudi Telecom Company

We derive our SAR45.0 PT based on a 50-50 mix of a DCF and target 2026E DY of 4.5%. Our key assumptions include:

1. 2.0% PGR,
2. 35.0% terminal EBITDA margin,
3. 15.5% terminal capex/revenue,
4. 8.9% WACC.
5. We use a DCF-based fair valuation to calculate value of a minority interest in Solutions.
6. We use transaction values and our 2025E net debt estimate to calculate value of a minority interest in a new TowerCo.
7. We use current market price to calculate value of a minority interest in stc Kuwait and a 10.0% stake in Telefonica.
8. We apply a 5% target discount related to M&A/execution risks.

Key downside risks include:

1. Weaker than expected KSA macro, reliant on oil prices,
2. Bigger than expected pressure at stc EBU,
3. Higher for longer losses at new verticals,
4. M&A-related and execution risks.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	February 16, 2026 1:46 A.M.
Recommendation Distributed	February 16, 2026 1:46 A.M.

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Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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Jefferies Franchise Picks

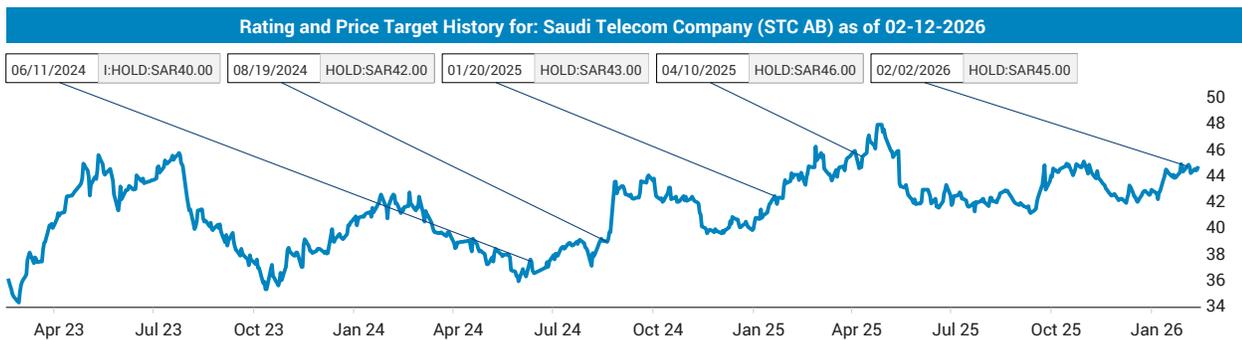
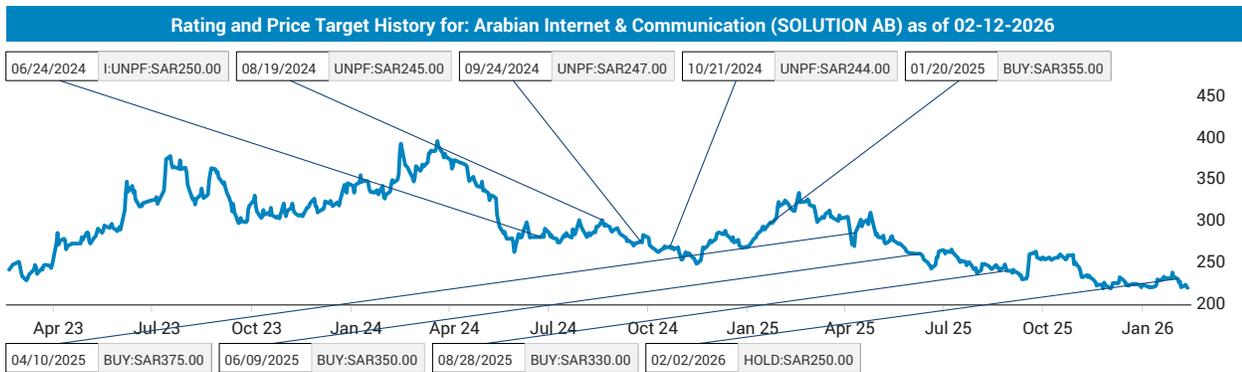
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Other Companies Mentioned in This Report

- Arabian Internet & Communication (SOLUTION AB: SAR225.90, HOLD)
- Saudi Telecom Company (STC AB: SAR44.78, HOLD)



Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	2165	61.54%	360	16.63%	107	4.94%
HOLD	1191	33.85%	103	8.65%	15	1.26%
UNDERPERFORM	162	4.60%	2	1.23%	2	1.23%

Other important disclosures

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