Elm Co.

Persistent growth in topline and profitability – Rating revised to Overweight

Rating: Overweight | 12M Target Price: SAR 1,085

August 4, 2025

Market Data	
Last Price (SAR)*	898.0
Target Price (SAR)	1,084.5
Upside / Downside (%)	21%
Market Cap (bn) (SAR/USD)	72/19
52 week High / Low (SAR)	1,289/824
12-month ADTV (mn) (SAR/USD)	74/20
YTD Return (%)	-19.5%
Bloomberg Code	ELM AB

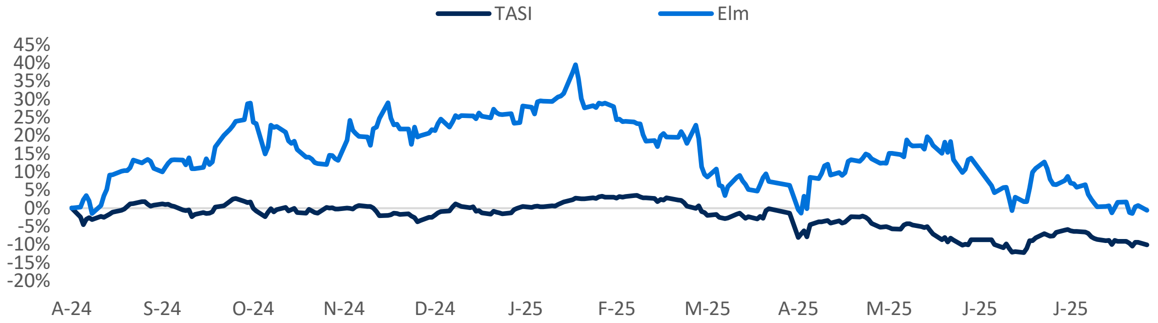
**last price as of 3rd July 2025*

Valuations	2024A	2025E	2026E	2027E
Net Income (SAR bn)	1.8	2.1	2.4	2.8
EPS (SAR)	22.8	26.2	30.3	35.1
PER (x)	39.3	34.3	29.7	25.6
P/BV (x)	13.6	11.0	9.0	7.4
DPS (SAR)	7.3	10.5	12.1	14.1
Div. Yield (%)	0.8	1.2	1.3	1.6
RoAE (%)	39.3	35.3	33.2	31.7
RoAA (%)	20.7	20.2	19.8	19.4

Financials (SAR mn)	2Q25A	2Q25E*	Var (%)	2Q24A	YoY (%)	1Q25A	QoQ (%)
Revenue	2,245	2,133	5	1,767	27	1,877	20
COGS	1,291	1,232	5	1,032	25	1,104	17
Gross profit	954	901	6	735	30	773	23
Gross margin (%)	42	42		42		41	
OPEX	1,732	1,624	7	1,303	33	1,406	23
Operating profit	513	508	1	464	11	472	9
Operating margin (%)	23	24		25		26	
Net income	590	581**	2	486	21	496	19
Net margin (%)	26	27		28		26	
EPS	***7.38***	***7.26***		***6.08***		***6.20***	

**anbc estimates*
***adjusted for one-off Zakat reversal of SAR 69 mn*

Price Performance



Source: Tadawul, Bloomberg and anbc research

Elm Co. (ELM AB) reported a net profit of SAR 590 mn (EPS: SAR 7.38) in 2Q25, up 21.1% YoY and 19.2% QoQ. The net profit was in line with our estimates, up 1.5% after accounting for one-off SAR 69 mn reversal in Zakat in 2Q25. We revise our rating to Overweight on the stock with a Dec-25 target price of SAR 1,085/sh, offering a potential upside of 20.8%.

- In 2Q25, revenue grew by 27.1% YoY (+19.6% QoQ.) to SAR 2.2 bn, 5.3% higher than our estimates of SAR 2.1 bn. Digital Business segment's revenue increased by 26.3% YoY (+14.7% QoQ), whereas the Business Process Outsourcing's topline increased by 29.5% YoY (+37.9% QoQ). Professional Services segment also posted an increase with the topline rising by 20.6% YoY (-10.9% QoQ).
- Gross margin was recorded at 42.5% in 2Q25 (+90bps YoY, +132bps QoQ). The margin expansion is attributable to higher revenue from the higher margin digital business segment.
- Operating profit increased by 10.6% YoY (+8.9% QoQ) in 2Q25. However, operating margin declined by 340bps YoY (-228bps QoQ). This was due to an increase in operating expenses by 63.3% YoY or SAR 171 mn (+46.0% QoQ or SAR 139 mn).
- Finance cost increased by ~ 3.7x YoY (+3.9x QoQ) in 2Q25. We believe it is due to consolidation of Thiqah's financials and additional debt taken by Elm to complete the transaction. Thiqah has been consolidated in Elm's financials beginning from 1st May, 2025.
- The bottom line in 2Q25 was also supported by a one-off prior year provision reversal in Zakat expense by SAR 69 mn. Company reported an increase of 21.1% YoY (+19.2% QoQ) in net profit which reached SAR 590 mn in 2Q25.
- *We initiated coverage on Elm in May-25 with a target price of SAR 1,085/share and a 'Neutral' rating, citing its premium valuation as a key concern at the time, with the stock trading at a 2025e P/E of 41.8x. Since then, the stock has underperformed TASI, declining 19.5% YTD versus a 10.0% drop in the broader market, driven by management guidance that fell short of industry expectations during 1Q25. Elm now trades at a 2025e P/E of 34.3x. While we maintain our target price of SAR 1,085/share, we are upgrading our rating to 'Overweight' as we now see a more favorable risk-reward profile for the stock offering a potential upside of 20.8%.*

Sulaiman A. Alharbi
sulaiman.alharbi@anbcapital.com.sa
+966 11 4062500 Ext. 3583

anbcapital

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OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Expected return is more than +15%	Expected return is between +15% & -10%	Expected return is lower than -10%

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Contact

ANB Capital Head Office

3581 Al Mouyyad Al Jadid, Al Murabba, Riyadh 11311,

PO Box 22009, Kingdom of Saudi Arabia

Tel: +966 11 406 2500, 800 124 0055

Email: research@anbcapital.com.sa

Web: www.anbcapital.com.sa