

Solutions by stc

Lower operating expenses supplement profitability

Rating: Overweight | 12M Target Price: SAR 334

July 30, 2025

Market Data		Valuations	2024A	2025E	2026E	2027E
Last Price (SAR)*	243.4	Net Income (SAR bn)	1.6	1.7	1.9	2.1
Target Price (SAR)	334	EPS (SAR)	13.3	14.3	15.4	17.0
Upside / Downside (%)	37%	PER (x)	18.3	17.1	15.8	14.3
Market Cap (bn) (SAR/USD)	29/8	P/BV (x)	7.2	6.8	5.8	5.0
52 week High / Low (SAR)	340/234	DPS (SAR)	9.9	8.6	9.3	10.2
12-month ADTV (mn) (SAR/USD)	47/12	Div. Yield (%)	4.1%	3.5%	3.8%	4.2%
YTD Return (%)	-9.9%	RoAE (%)	43.4%	41.3%	39.9%	37.7%
Bloomberg Code	SOLUTION AB	RoAA (%)	13.6%	14.2%	14.6%	15.3%

*last price as of 29th July 2025

Financials (SAR mn)	2Q25A	2Q25E*	Var (%)	2Q24A	YoY (%)	1Q25A	QoQ (%)
Revenue	2,902	3,176	-9	2,771	5	2,824	3
COGS	2,246	2,398	-6	2,076	8	2,207	2
Gross profit	656	777	-16	696	-6	616	6
Gross margin (%)	23	24		25		22	
OPEX	210	336	-37	296	-29	245	-14
Operating profit	446	442	1	400	12	371	20
Operating margin (%)	15	14		14		13	
Other Income**	23	18	30	78	-71	20	16
Net income	446	425	5	457	-2	359	24
Net margin (%)	15	13		16		13	
EPS	3.72	3.53		3.77		3.01	

*anbc estimates

**sum of finance cost, finance income, share of profit of associate and other non-operating income

Price Performance



Source: Tadawul, Bloomberg and anbc research

Arabian Internet and Communications Services Company (SOLUTION AB) reported a net profit of SAR 446 mn (EPS: SAR 3.72) in 2Q25, down 1.5% YoY and up 23.5% QoQ. Gross margin and other income declined YoY while increased on a sequential basis. Profitability was relatively in line with expectations with net profit coming in 5% ahead of our estimates. We maintain our Overweight rating on the stock with a target price of SAR 334/sh, offering potential upside of 37%.

- In 2Q25, revenue grew by 4.7% YoY (+2.7% QoQ.) to SAR 2.9 bn, below our estimates of SAR 3.2 bn. Core ICT Services segment increased by 10.4% YoY (+5.5% QoQ), whereas the IT managed and operational services increased by 2.0% YoY (flat QoQ). We maintain our 2025 topline estimate of SAR 13.2 bn, with the majority of the revenue (56.7%) expected in 2H25, similar to 2024.
- Gross margin was recorded at 22.6% in 2Q25 (-251bps YoY, +79bps QoQ). The margin compression is attributable to lower revenue from the higher margin digital services segment (-5.3% YoY).
- Operating profit increased by 11.5% YoY (+20.2% QoQ) in 2Q25, primarily driven by a reduction in general and administrative expenses. Moreover, the decline in selling and marketing expenses supported profitability.
- Other income declined by 70.6% YoY and increased by 15.6% QoQ in 2Q25 to SAR 23 mn. To highlight, other income contained a one-off of SAR 68 mn in 2Q24; adjusting for that, other income rose by 124.3% YoY in 2Q25. Other income here refers to the sum of finance cost, finance income, share of profit of associate and other non-operating income.
- The bottom line in 2Q25 increased by 1.5% YoY and 23.5% QoQ to SAR 446 mn.
- The Software & Services sector is experiencing heightened competition driven by minimal barriers to entry. In response, Solutions is prioritizing the preservation of its market share (22.7%) over short-term margin expansion. Its robust brand equity has fueled a 5-year revenue CAGR of 18.1% between 2019 and 2024. Looking ahead, Solutions' strategic pivot toward becoming an 'AI-first' organization reinforces our confidence in its ability to capture emerging growth opportunities. With a projected 2025 P/E of 18.0x, we maintain our Overweight rating on the stock and reaffirm our target price of SAR 334 per share.

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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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