

Solutions by stc

July 29, 2026

Gross margin rebounds sharply from 1Q26 compression; net profit beats estimate

Last Price: SAR 199.8 | YoY Performance: -18.1%

KEY TAKEAWAYS

- Solutions delivered SAR 453 mn in 2Q26 net profit, up just 1.6% YoY but 22.4% QoQ, and 19.9% above our SAR 378 mn estimate, as gross margin rebounded sharply from 1Q26's compression.
- Revenue rose 11.6% YoY to SAR 3,240 mn, essentially in line with our expectations with only a 3.4% variance versus our estimates, led by Core ICT Services (+28.6% YoY) and IT Managed and Operational Services (+3.3% YoY); revenue also grew 7.9% QoQ on a 23.2% increase in Core ICT Services.
- Gross margin rebounded to 24.3% in 2Q26 from 19.5% in 1Q26 (332 bps above our estimate), as a SAR 202 mn QoQ increase in gross profit outpaced only a SAR 36 mn rise in cost of revenues; gross profit rose 20.1% YoY and 34.5% QoQ to SAR 788 mn.
- Operating profit increased 13.5% YoY and 26.8% QoQ to SAR 506 mn. However, the stronger operating performance was partially offset by higher operating expenses, with selling and distribution expenses increasing by SAR 43 mn YoY and SAR 96 mn QoQ.
- Below the operating line, the company recorded an other expense of SAR 27 mn, compared to other income of SAR 23 mn in 2Q25 (which was on the back of non-recurring fair value gains). Additionally, lower finance income during the quarter further limited the translation of the operating outperformance into bottom-line growth.
- Net profit of SAR 453 mn rose just 1.6% YoY, held back by the swing in other income/expense and higher opex, but grew 22.4% QoQ and beat our SAR 378 mn estimate by 19.9%. EBITDA rose 15% YoY to SAR 597 mn.
- Following the recent share price decline, we upgrade Solutions to 'Overweight' rating while keeping our target price at SAR 254/share. The stock currently trades at 2026e P/E and P/B of 14.5x and 4.8x respectively.

Analyst Contact:

Sulaiman A. Alharbi

Senior Analyst – Sell Side Research
sulaiman.alharbi@anbcapital.com.sa
+966 11 4062500 Ext. 3583

Issuer Information

Bloomberg Code	SOLUTION AB
Last Price (SAR)	199.8
No of Shares (mn)	120
Market Cap bn (SAR/USD)	23.9 / 6.4
52-week High / Low (SAR)	272 / 170
12-month ADTV (mn) (SAR/USD)	28.3 / 7.5
Free Float (%)	21.0
Foreign Holdings (%)	4.7

Last price as of July 28th, 2026

Relative Price Performance



Source: Bloomberg, anbc research

Financials (SAR mn)	2Q26A	2Q26E*	Var (%)	2Q25A	YoY (%)	1Q26A	QoQ (%)
Revenue	3,240	3,132	3.4	2,902	11.6	3,002	7.9
Cost of Revenues (COGS)	2,452	2,474	-0.9	2,246	9.2	2,416	1.5
Gross Profit	788	658	19.8	656	20.1	586	34.5
Gross Margin (%)	24	21		23		20	
Operating Expenses	282	249	13.4	210	34.3	187	50.8
Operating Profit	506	409	23.7	446	13.5	399	26.8
Operating Margin (%)	16	13		15		13	
Net Profit	453	378	19.9	446	1.6	370	22.4
Net Margin (%)	14	12		15		12	
EPS (SAR)	3.80	3.17		3.75		3.11	
DPS (SAR)	-	-	-	-	-	-	-

*anbc estimates

Source: Company Financials, anbc research

Disclaimer

anb capital is a Saudi Closed Joint Stock Company with paid up capital of SAR 1,000 million and is licensed by the Capital Market Authority of Saudi Arabia under license number 07072-37 and Unified Number 7001548267, with its head office at 3581 Al Mouyyad Al Jadid, Al Murabba, PO Box 220009, Riyadh 11311, Saudi Arabia, telephone number 800 124 0055.

This report is prepared by anb capital, a full-fledged investment bank providing investment banking, asset management, securities brokerage and research services. anb capital and its affiliates, may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this report. Also, anb capital (or its officers, directors or employees) may have a position in the securities that are the subject of this report.

This report has been prepared on the basis of information believed to be reliable, but anb capital makes no guarantee, representation or warranty, express or implied, as to the accuracy, correctness or completeness of such information, nor do they accept any responsibility for loss or damage arising in any way (including by negligence) from errors in, or omissions from the information.

This report is intended only for the recipient to whom the same is delivered by anb capital and should not be reproduced, redistributed, forwarded or relied on by any other person. The distribution of this report in some jurisdictions may be restricted by law, and persons into whose possession this report comes should inform themselves about, and observe, any such restriction.

This report has been prepared by anb capital for information purposes only and is not and does not form part of nor should be considered advice, recommendation, offer for sale or solicitation of any offer to subscribe for, purchase or sell any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever, and any views or opinions expressed herein are subject to change without notice.

This report and information contained herein, are provided for informational purpose only and does not take into consideration any investment objective, financial situation or particular needs of any recipient and are not designed with the objective of providing information to any particular recipient and only provides general information. anb capital assumes that each recipient would make its own assessment and seek professional advice, including but not limited to, professional legal, financial and accounting advice, before taking any decision in relation to the information provided in the report. Recipients should consider their own investment objectives and financial situation and seek professional advice before making any investment decisions.

Under no circumstance will anb capital nor any of its respective directors, officers or employees be responsible or liable, directly or indirectly, for any damage or loss caused or alleged to be caused by or in connection with the use of or reliance on the information contained in this report.

All opinions, estimates, valuations or projections contained in this report constitute anb capital's current opinions, assumptions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no guarantee that future results or events will be consistent with any such opinions, estimates, valuations or projections. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions and future actual outcomes and returns could differ materially from what is forecasted.

Past performance is not necessarily indicative of future performance and the value of an investment may fluctuate. Accordingly, any investment made pursuant to this report in any security is neither capital protected nor guaranteed. The value of the investment and the income from it can fall as well as rise as the investment products are subject to several investment risks, including the possible loss of the principal amount invested. No part of the research analysts' compensation is related to the specific recommendations or views in the research report.

By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Ratings Guidelines

anb capital's investment research is based on the analysis of economic, sector and company fundamentals with the objective of providing a long term (12 month) fair value target for a company.

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

Analyst Certification:

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

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