Elm Co.

Robust topline growth tempered by margin compression

Rating: Overweight | Target Price: SAR 1,089

November 3, 2025

Market Data	
Last Price (SAR)*	930.0
Target Price (SAR)	1,088.6
Upside / Downside (%)	17.1%
Market Cap (bn) (SAR/USD)	74/20
52 week High / Low (SAR)	1,289/821
12-month ADTV (mn) (SAR/USD)	71/19
YTD Return (%)	-16.6
Bloomberg Code	ELM AB

**last price as of 02nd Nov 2025*

Valuations	2024A	2025E	2026E	2027E
Net Income (SAR mn)	1,826.8	2,400.2	2,893.9	3,370.5
EPS (SAR)	22.8	30.0	36.2	42.1
PER (x)	40.7	31.0	25.7	22.1
P/BV (x)	14.1	10.6	8.5	6.9
DPS (SAR)	7.3	8.3	14.5	16.9
Div. Yield (%)	0.8	0.9	1.6	1.8
RoAE (%)	39.3	38.9	36.6	34.4
RoAA (%)	20.7	21.0	20.2	20.3

Financials (SAR mn)	3Q25A	3Q25E*	Var (%)	3Q24A	YoY (%)	2Q25A	QoQ (%)
Revenue	2,535	2,675	(5)	1,872	35	2,245	13
COGS	1,464	1,539	(5)	1,042	41	1,291	13
Gross profit	1,071	1,137	(6)	830	29	954	12
Gross margin (%)	42	42		44		42	
OPEX	487	517	(6)	336	45	441	10
Operating profit	584	620	(6)	494	18	513	14
Operating margin (%)	23	23		26	(3)	23	0
Net income	559	601	(7)	498	12	590	(5)
Net margin (%)	22	22		27		26	
EPS	***7.0***	***7.5***		***6.2***		***7.4***	

**anbc estimates*

Price Performance



Source: Tadawul, Bloomberg, and anbc research

Elm Co. (ELM AB) reported a net profit of SAR 559 mn (EPS: SAR 6.99) in 3Q25, up 12.2% YoY while down by 5.3% QoQ. The 3Q25 results came in slightly below our expectations, primarily due to softer-than-anticipated revenue growth. We continue to maintain our Overweight rating on the stock with a target price of SAR 1,089/sh, offering a potential upside of 17.1%.

- In 3Q25, revenue grew by 35.5% YoY (+12.9% QoQ) to SAR 2.5 bn, coming in 5.2% below our estimate of SAR 2.7 bn. The increase was driven by the Digital Business segment, which posted a 24.7% YoY (+12.8% QoQ) rise and remained the largest revenue contributor, followed by the Business Process Outsourcing segment, which grew 71.3% YoY (+12.9% QoQ), and the Professional Services segment, which increased 62.1% YoY (+17.1% QoQ).
- Gross margin was recorded at 42.2% in 3Q25 (-210bps YoY, -24bps QoQ). The margin decline was mainly due to a lower revenue contribution from the higher-margin Digital Business segment (64% in 3Q25 vs. 77% in 3Q24) and a higher contribution from the lower-margin Business Process Outsourcing segment (34% in 3Q25 vs. 22% in 3Q24).
- However, the increase in topline did not translate proportionally into operating profit, which rose by only 18.2% YoY (+13.9% QoQ) in 3Q25. The operating margin declined by 336bps YoY (-20bps QoQ), mainly due to a 41.6% YoY rise in operating expenses (SAR 573 mn) or +12.6% QoQ (SAR 219 mn). The increase in expenses was primarily driven by higher general and administrative expenses (+SAR 138 mn), depreciation and amortization (+SAR 19 mn), selling and marketing (+SAR 12 mn), and research and development (+SAR 3 mn).
- Finance expenses increased by 4.3x YoY (+22.5% QoQ) to SAR 35mn in 3Q25, remaining elevated due to the higher debt level following Thiqah's consolidation in 2Q25.
- The YoY growth in the bottom line was further pressured in 3Q25 by a SAR 5 mn increase in the share of loss from associates, a SAR 4 mn decline in income from Murabaha deposits, and a SAR 2 mn drop in fair value gains through profit or loss, partially offset by a SAR 7 mn rise in other income.
- *Year to date, Elm has declined by 16.6%, underperforming TASI's 4.2% drop. The stock now trades at 2025e P/E and P/BV multiples of 31.0x and 10.6x, respectively. We maintain our 'Overweight' stance on the stock with a TP of SAR 1,089/sh.*

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