

Market Data		Valuations	2024A	2025E	2026E	2027E
Last Price (SAR)*	245	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	34%	PER (x)	18.8	17.5	16.2	14.6
Market Cap (bn) (SAR/USD)	30/8	P/BV (x)	7.4	7.0	6.0	5.1
52 week High / Low (SAR)	340/228	DPS (SAR)	9.9	8.6	9.3	10.2
12-month ADTV (mn) (SAR/USD)	38/10	Div. Yield (%)	4.0	3.4	3.7	4.1
YTD Return (%)	(8)	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 Oct 2025

Financials (SAR mn)	3Q25A	3Q25E*	Var (%)	3Q24A	YoY (%)	2Q25A	QoQ (%)
Revenue	3,098	3,242	(4)	2,753	13	2,824	10
COGS	2,391	2,509	(5)	2,024	18	2,208	8
Gross profit	707	733	(4)	729	(3)	616	15
Gross margin (%)	23	23		26		22	
Operating expense	245	287	(15)	244	0	245	0
Operating profit	462	446	4	485	(5)	371	25
Operating margin (%)	15	14		18		13	
Net income	417	379	10	463	(10)	361	16
Net margin (%)	13	12		17	(20)	13	
EPS	3.5	3.2	10	3.9		3.0	16
DPS	-	-	-	-	-	-	-

Price Performance

Source: Tadawul, Bloomberg and anbc research

Arabian Internet and Communications Services Company (Solutions) reported a net profit of SAR 417 mn in 3Q25, down 10% YoY and up 16% QoQ. The decline was driven by higher cost of revenue, increased selling and distribution expenses, and a higher zakat charge mainly due to a zakat provision reversal related to prior periods after finalizing assessments by ZATCA in the same quarter of last year. We maintain our Overweight rating on the stock with a target price of SR 334.

- Solutions reported 13% YoY revenue growth in 3Q25, taking 9M25 revenue to SAR 8,823 mn, in line with our estimates. The performance was mainly driven by growth in Core ICT Services (+7.4%) and IT Managed and Operational Services (+35.4%), partly offset by a 12.9% decline in Digital Services.
- Gross margins declined to 23% in 3Q25 from 26% in 3Q24, reflecting a decrease in gross profit by SAR 22 mn, driven by a SAR 367 mn rise in cost of revenues despite a SAR 345 mn increase in revenues. On a QoQ basis, margins increased slightly from 22% to 23%, which management attributed to higher revenues from Core ICT and IT Managed Services, offsetting the decline in Digital Services and the increase in cost of revenue.
- Operating margin declined to 15% in 3Q25 from 18% in 2Q25, due to a SAR 0.5 mn rise in operating expenses, driven by higher selling and distribution expenses by SAR 1.5 mn, partly offset by lower general and administrative expenses by SAR 1 mn.
- Zakat and tax charges increased by SAR 70 mn YoY to SAR 38 mn, primarily due to the absence of a zakat provision reversal recorded in the same quarter last year following the finalization of prior-period assessments by ZATCA. However, this impact was partially offset by a one-off non-operating expense of SAR 52 mn in the same 3Q24, related to the early retirement program.
- Net profit declined 10% YoY to SAR 417 mn; however, excluding the two one-off items, the decline would have been limited to around 3%, assuming a zakat charge based on the three-year (2022-2024) historical average rate.
- Year to date, Solutions has declined by 8% compared to a 3.7% drop in TASI and is currently trading at 2025e P/E and P/BV multiples of 18x and 7x, respectively. We maintain our Overweight stance with a target price of SAR 334/share.

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