Elm Co.

November 1, 2026

Gross margin expansion and lower opex drive a sharp profit jump

Last Price: SAR 611.5 | YoY Performance: -35.4%

3Q26 FIRST TAKE

KEY TAKEAWAYS

- ELM delivered SAR 778 mn in 3Q26 net profit, up 39.2% YoY and 51.7% QoQ, and 43.8% above our SAR 541 mn estimate, as gross margin expansion and lower operating expenses lifted profitability.
- Revenue rose 10.1% YoY to SAR 2,791 mn, in line with our estimate, as growth in Digital Business (+19.9% YoY) was partly offset by declines in Business Process Outsourcing (-14.2% YoY) and Professional Services (-2.1% YoY); revenue also grew 10.5% QoQ on Digital Business (+15.3% QoQ) and Professional Services (+21.1% QoQ), partly offset by a decline in BPO (-4.2% QoQ).
- Gross margin expanded to 43.2% (vs. 40.2% in 3Q25, +301 bps YoY) and 375 bps above our estimate. Gross profit grew 18.3% YoY and 17.2% QoQ to SAR 1,207 mn (margin up 245 bps QoQ).
- Operating profit rose 34.1% YoY and 48.9% QoQ to SAR 783 mn, 34.6% above our estimate, as operating expenses fell 2.8% YoY and 15.9% QoQ to SAR 424 mn, 18.3% below our estimate, mainly on lower general and administrative expenses (-SAR 21 mn YoY, -SAR 38 mn QoQ) and expected credit loss expenses (-SAR 18 mn YoY, -SAR 38 mn QoQ), partly offset by higher selling & marketing (+SAR 24 mn YoY) and D&A (+SAR 10 mn YoY).
- Below the operating line, net profit of SAR 778 mn was only SAR 5 mn below operating profit, as higher Murabaha deposit income (+SAR 11 mn YoY), a swing in associates to a SAR 4 mn profit from a SAR 6 mn loss, and lower finance costs (-SAR 4 mn) broadly offset a SAR 4 mn higher zakat expense.
- Net profit rose 39.2% YoY and 51.7% QoQ to SAR 778 mn, 43.8% above our SAR 541 mn estimate, driven by the gross margin expansion and lower opex.
- Based on our last review, we have an Overweight rating with a target price of SAR 827/share. The stock reacted positively to the results, gaining 9.0% in the session following the earnings announcement.

Analyst Contact:
Sulaiman A. Alharbi
Senior Analyst – Sell Side Research
sulaiman.alharbi@anbcapital.com.sa
+966 11 4062500 Ext. 3583

Issuer Information

Bloomberg Code	**ELM AB**
Last Price (SAR)	**611.5**
No of Shares (mn)	**80**
Market Cap bn (SAR/USD)	**44.9 / 12.0**
52-week High / Low (SAR)	**940.0 / 504.5**
12-month ADTV (mn) (SAR/USD)	**74.8 / 19.9**
Free Float (%)	**32.9**
Foreign Holdings (%)	**6.8**

Last price as of October 29th, 2026

Relative Price Performance



Source: Bloomberg, anbc research

Financials (SAR mn)	3Q26A	3Q26E*	Var (%)	3Q25A	YoY (%)	2Q26A	QoQ (%)
Revenue	2,791	2,787	0.2	2,535	10.1	2,525	10.5
Cost of Revenues (COGS)	1,584	1,686	-6.0	1,515	4.6	1,495	6.0
Gross Profit	1,207	1,101	9.7	1,020	18.3	1,030	17.2
Gross Margin (%)	***43.2***	***39.5***		***40.2***		***40.8***	
Operating Expenses	424	519	-18.3	436	-2.8	504	-15.9
Operating Profit	783	582	34.6	584	34.1	526	48.9
Operating Margin (%)	***28.1***	***20.9***		***23.0***		***20.8***	
Net income	778.0	541.0	43.8	559.0	39.2	513.0	51.7
Net Margin (%)	***27.9***	***19.4***		***22.1***		***20.3***	
EPS (SAR)	9.72	6.76		6.99		6.41	
DPS (SAR)	-	-		-		5.00	

**anbc estimates*
Source: Company Financials, anbc research

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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