Solutions by stc

Rating: Overweight | 12M Target Price: SAR 273

February 16, 2026

Topline growth softens amid margin compression and higher D&A

Market Data	
Last Price (SAR)*	226
Target Price (SAR)	273
Upside / Downside	21%
Market Cap (bn) (SAR/USD)	27/7
52 week High / Low (SAR)	340/219
12-month ADTV (mn) (SAR/USD)	32/8
YTD Return (%)	0.4
Bloomberg Code	SOLUTION AB

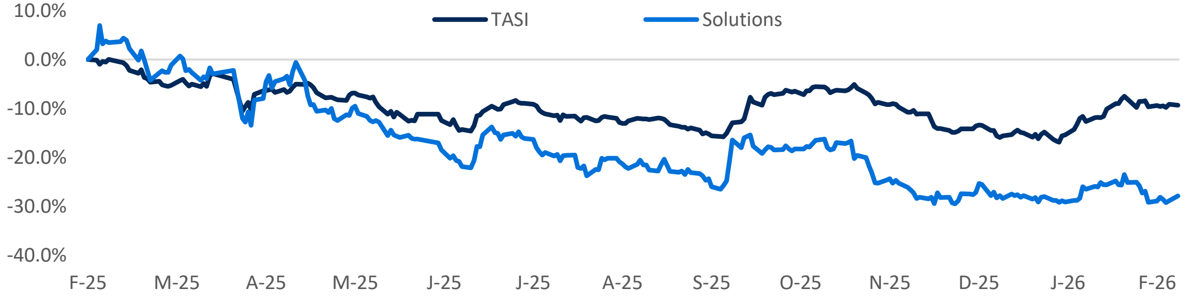
**last price as of 15th Feb 2026*

Valuations	2024A	2025A	2026E	2027F
Net Income (SAR bn)	1602.8	1,503.0	1735.2	1883.2
EPS (SAR)	13.3	12.6	14.4	15.6
PER (x)	17.0	17.9	15.7	14.5
P/BV (x)	6.7	5.8	5.0	4.4
DPS (SAR)	10.0	8.0	8.5	9.5
Div. Yield (%)	4.4	3.5	3.8	4.2
RoAE (%)	43.4	37.2	34.4	32.6
RoAA (%)	13.6	13.2	13.4	13.8

Financials (SAR mn)	4Q25A	4Q25E*	Var (%)	4Q24A	YoY (%)	3Q25A	QoQ (%)
Revenue	3,907	4,035	(3)	3,731	5	3,098	26
COGS	3,208	3,057	5	2,992	7	2,391	34
Gross profit	699	979	(29)	738	(5)	707	(1)
Gross margin (%)	18	24		20		23	
Operating expense	337	582	(42)	282	19	244	38
Operating profit	362	396	(9)	456	(21)	462	
Operating margin (%)	9	10		12		15	
Net income	278	399	(30)	333	(16)	417	(33)
Net margin (%)	7	10		9	(20)	13	
EPS	***2.3***	***3.3***	(30)	***2.8***		***3.5***	(33)
DPS	***8.0***	***8.0***		***10.0***		***0.0***	

**anbc estimates*

Price Performance



Source: Tadawul, Bloomberg and anbc research

Solutions by stc reported a net profit of SAR 278 mn in 4Q25, down 16% YoY and 33% QoQ. While 4Q25 revenue was in line with our estimates, net profit fell short of our estimate of SAR 399 mn and the consensus of SAR 438 mn. The decline was primarily driven by higher cost of revenue due to a shift in project mix toward lower-margin services, increased selling and distribution expenses, and higher depreciation and amortization expenses related to continued investments in the cloud business.

- Solutions reported 5% YoY revenue growth in 4Q25, taking 2025 revenue to SAR 12,730 mn, in line with our estimates. The performance was mainly driven by growth in Core ICT Services (+SAR 182 mn) and Digital Services (+SAR 173 mn), partly offset by a SAR 139 mn decline in IT Managed and Operational Services. The growth was supported by the completion of key project milestones during the quarter. However, revenue recognition was partially constrained by newly awarded projects in 2H25, which remained in early execution stages by year-end.
- Gross margins declined to 18% in 4Q25 from 20% in 4Q24, reflecting a decrease in gross profit by SAR 39 mn, driven by a SAR 216 mn rise in cost of revenues despite a SAR 176 mn increase in revenues. The decline in gross profit was driven by a shift in project mix toward lower-margin services, along with regulatory changes and temporary margin recognition differences across project delivery stages.
- Operating margin declined to 9% in 4Q25 from 12% in 4Q24, due to a SAR 55 mn rise in operating expenses, driven by higher selling and distribution expenses by SAR 112 mn, partly offset by lower general and administrative expenses by SAR 97 mn.
- Net profit declined 16% YoY to SAR 278 mn fell short of our estimate of SAR 399 mn. The decline was primarily driven by increased investments in the cloud business during the quarter, resulting in higher depreciation and amortization expenses.
- On a full-year basis, net profit declined 6% YoY to SAR 1,503 mn in 2025, mainly due to a higher base in the prior year, which included one-off non-operating income and a Zakat reversal in 2024.
- *Solutions has declined by 27.9% YoY materially underperforming the TASI index. The stock is currently trading at 2026e P/E and P/BV multiples of 15.7x and 5.0x, respectively. We maintain our target price of SAR 273/share. We await the company's upcoming earning call for further clarity on the management's guidance.*

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