Al Moammar Information Systems Co.

INITIATION OF COVERAGE

We initiate coverage on Al Moammar Information Systems Co. (MIS) with an 'Overweight' rating and a price target of SAR 157 per share. As a leading player in emerging technologies in the Kingdom, MIS has strong exposure to data centers, AI, IoT, and Extended Reality (ER). The company has already deployed 32MW of its planned 120MW data center capacity, with colocation demand remaining strong. We anticipate full deployment by 2030f, though an earlier completion remains a possibility. Revenue growth is expected to accelerate, with a projected 10.8% CAGR between 2024-2030f. Meanwhile, we see stable growth across MIS's other segments, forecasting a revenue CAGR of 5.0% (ex-data center) over the same period. We believe the company's venture into HPC GPU will serve as a key catalyst, alongside the evolving landscape for its subsidiaries, particularly MIS Pay's BNPL segment, which stands to benefit from a normalization in interest rates.

Ramp-up in data center capacity to catalyze revenue. MIS has deployed 32MW out of its planned 120MW capacity, ahead of schedule; we conservatively estimate full deployment by 2030f. Despite a 28.0% YoY revenue decline in 2024, we project a 6-year CAGR of 18.4% (2024-2030f) for data center revenue, surpassing SAR 1 bn by 2028. Strong colocation demand, driven by globally low power tariffs in Saudi Arabia, and faster revenue recognition from existing contracts as MIS delivers contracted units, will be key growth catalysts.

Stable growth across other segments to continue. Revenue (excluding data centers) grew at a 3-year CAGR of 4.9% from 2021 to 2024. By April '25, MIS' backlog reached SAR 3.7 bn (3.1x of 2024 revenue), with newly awarded projects totaling SAR 2.9 bn. The backlog continues to expand with new projects across all segments. We forecast revenue (ex-data center) to grow at a 6-year CAGR of 4.7% between 2024 and 2030f, driven by the company's strategic alignment with emerging technologies and the accelerating growth of its subsidiaries, supported by a more favorable environment for fintech and health-tech ventures.

Profitability to improve with scale and ECL moderation. MIS' margins bottomed out in 2023 due to the expansions in data centers and subsidiaries, which put pressure on gross margins, alongside a change in the ECL model that depressed the operating margin, resulting in both being recorded at 16.8% and 4.2%, respectively. We expect improving utilization of data centers and increasing users on subsidiaries' digital platforms to drive economies of scale. This will translate to cost savings, which along with, the absence of abnormal ECL impacts should boost gross and EBIT margins to an average of 22.1% and 10.8%, respectively, between 2024 and 2030f.

Valuation: Our Dec-25 TP of SAR 157/share is based on a blended valuation, with equal weight assigned to DCF (TP SAR 159/share) and relative valuation (TP SAR 155/share).

Risks: Increased competition from local telecom players in the data center market could delay the deployment of MIS's planned capacity. The company may also face challenges in passing on costs as projected, resulting in lower margins than expected.

RATING SUMMARY — Overweight

Target Price (SR)	157
Upside/Downside	16%
Div. Yield (%)	2%
Total Exp. Return	18%

Last Price as of 19th May, 2025
Source: Company Data, anbc Research

ISSUER INFORMATION

Bloomberg Code	MIS AB
Last Price (SAR)	136.0
No of Shares (mn)	30
Market Cap bn (SR/USD)	4.1/1.1
52-week High / Low (SR)	207/118
12-month ADTV (mn) (SR/USD)	14.3/3.8
Free Float (%)	50.9
Foreign Holdings (%)	5.2

Last Price as of 19th May, 2025

VALUATIONS

	2024	2025e	2026f	2027f
EPS (SAR)	4.2	2.9	4.0	5.1
PER (x)	32.7	47.1	33.7	26.7
PBV (x)	9.6	11.2	9.9	8.6
DPS (SR)	3.2	1.7	2.4	3.1
Div. Yield (%)	2.4	1.3	1.8	2.2
RoAE (%)	35.0	22.0	31.1	34.5
RoAA (%)	5.6	3.4	4.6	5.6

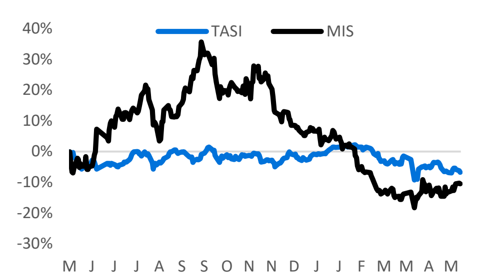
Source: Company Data, anbc Research

FINANCIALS (SAR bn)

	2024	2025e	2026f	2027f
Revenue	1.2	1.4	1.5	1.7
Gross Profit	0.3	0.3	0.3	0.4
Operating Income	0.1	0.1	0.2	0.2
EBITDA	0.1	0.1	0.2	0.2
Net Income	0.1	0.1	0.1	0.2
GP Margin (%)	21.3	21.5	22.0	22.0
EBIT Margin (%)	10.0	9.8	10.8	10.9
EBITDA Margin (%)	10.6	10.4	11.4	11.5
Net Margin (%)	10.3	6.4	8.0	9.0

Source: Company Data, anbc Research

RELATIVE PRICE PERFORMANCE



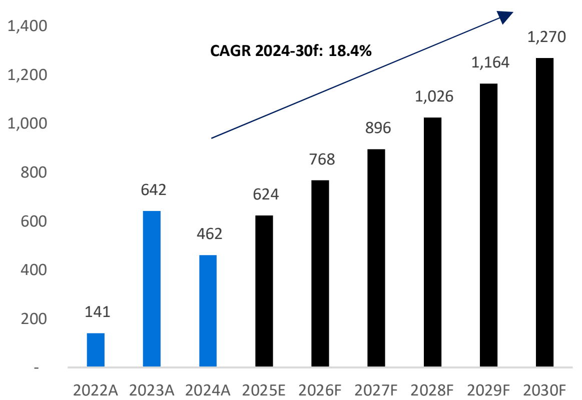
Source: Bloomberg, anbc Research

Investment Thesis

Ramp-up in data center capacity to catalyze revenue

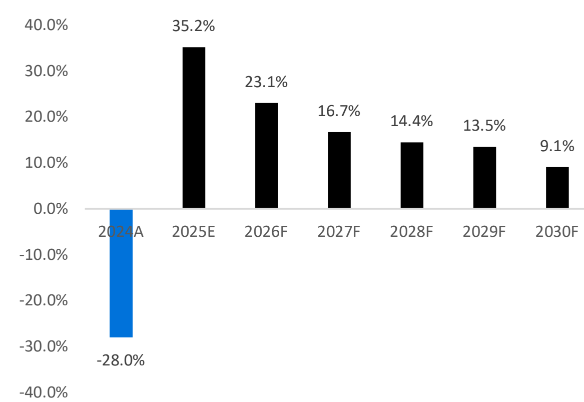
MIS initially planned to develop 24MW of capacity across six Tier III data centers, scalable up to 120MW by 2030f under Saudi Data Center Fund. The SAR 1.5 billion, 15-year contract requires MIS to provide ongoing O&M services for the facilities throughout the agreement period, with the possibility of extension. Notably, the original target has already been significantly surpassed, with 32MW brought online by 2024. We expect full deployment by 2030f, though an earlier completion remains a key upside risk. MIS holds a 10% stake alongside Saudi Fransi Capital and is responsible for developing, designing, and managing the facilities. Data center (DC) revenue declined by 28.0% YoY in 2024, primarily due to capacity upgrades that delayed the accommodation of units. However, we expect data center revenue to grow at a 6-year CAGR of 18.4% from 2024 to 2030f, driven by strong colocation demand.

Chart 36: DC revenue to cross SAR 1.2 bn by 2030f



Source: Company Data, anbc Research; DC: Data center

Chart 37: Growth in DC revenue to resume

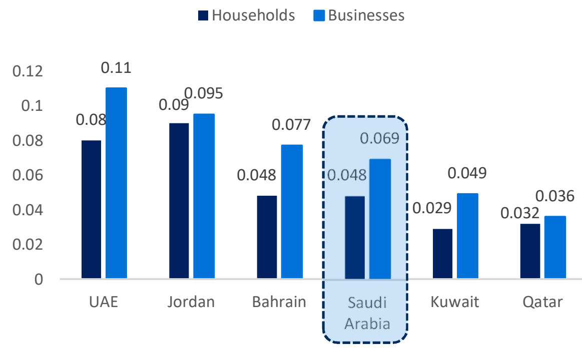


Source: Company Data, anbc Research; DC: Data center

MIS and Saudi Fransi Capital established the 'Saudi Data Center Fund' in 2023, valued at SAR 1.5 bn, with SAR 1.3 bn already allocated for facility development. The demand is peaking in the Kingdom, with an increasing focus on cloud servers for data protection, along with the rising influx of international cloud computing companies such as Microsoft and AWS. Over 540 global companies have opened regional headquarters in the country, far exceeding the target of 500 corporates by 2030, further underlining the upcoming opportunities in cloud hosting.

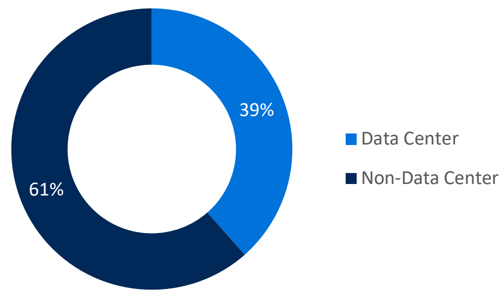
We believe MIS will be a key beneficiary of the country's competitive energy tariffs. The Kingdom, with its abundant oil reserves, charges a commercial tariff of $0.069/kWh or SAR 0.26/kWh (2023), the third-lowest regionally, following Kuwait and Qatar and also one of the most favorable energy tariffs ($0.048/kWh or SAR 0.18/kWh for cloud computing and households) in the world. Lower energy cost will enable the country to offer accommodation at globally competitive low prices, thus positioning it to gain significant market share in the growing industry.

Chart 38: 3rd lowest power tariff ($/kWh) in region



Source: Twimbit, anbc Research

Chart 39: Revenue division - 2024



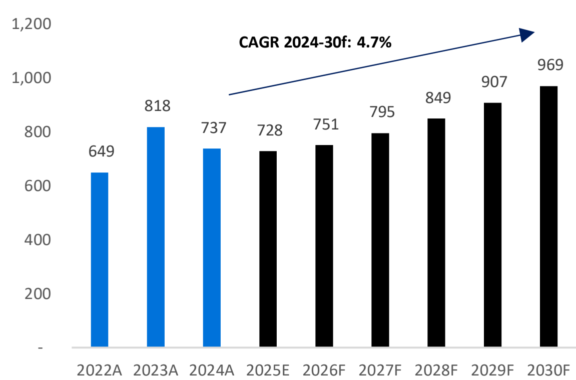
Source: Company Data, anbc Research

Stable growth across other segments to continue

MIS has strategically focused on diversifying its revenue streams while keeping its reliance on data center services in check. Revenue from non-data center segments grew at a CAGR of 4.9% between 2021 and 2024, driven primarily by the Operation and Maintenance segment, which expanded at an impressive CAGR of 21.3% over the same period. MIS's proactive efforts have allowed it to reduce reliance on commoditized segments such as IT Security and IT Solutions, which tend to be highly competitive with limited opportunities for differentiation, thereby constraining profit margins. Additionally, we see strong alignment in MIS's overall service portfolio with cloud and data center solutions, where it benefits from complementary synergies and a stronger value proposition.

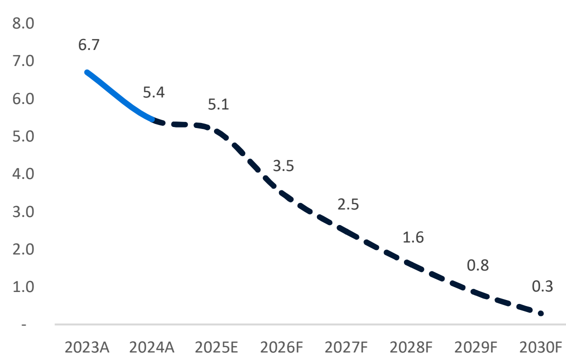
We forecast the other segment revenue to grow at a CAGR of 4.7% between 2024-2030f, led by the highest contribution from 'Operation & Maintenance' (CAGR 7.0% in the same period). We are optimistic about the segment, as we believe there is an increased opportunity in the space under Vision 2030 initiatives. The digitization of public and private processes, and their upgradation and continuity, will be a key catalyst, boosting the segment. MIS has steadily increased the size of its order book, which stood at SAR 3.7 bn by end of 2024.

Chart 40: Non-DC sales to rise, but slowly (SAR mn)



Source: Company Data, anbc Research; DC: Data center

Chart 41: Net debt/EBITDA expected to improve



Source: Company Data, anbc Research

MIS's ventures into fintech, such as MIS Pay and MIS Home, are well-positioned to benefit from the expected downward movement in interest rates. We believe that the Buy Now, Pay Later (BNPL) segment will be a major growth driver, especially given the platform's strong early traction, having already onboarded 90,000 clients by 1Q24. Moreover, MIS's strategic investments in Digital Bank (SAR 14.3 mn) and ANTHROBIC (SAR 37.5 mn) has moved the company towards artificial intelligence and other emerging technologies, further enhancing its long-term growth prospects.

MIS is also developing high-performance computing (HPC) infrastructure that will leverage the latest graphics processing units (GPUs). This initiative will enable the company to work on next-generation machine learning applications, providing MIS with a significant first-mover advantage in this space. By structuring the service as a joint venture (JV) with BSF, MIS can focus on its core competencies, with BSF handling the financial backing and development of the growth strategy. We see MIS as uniquely positioned to capitalize on the rapidly evolving technology landscape, with the Kingdom's business-friendly environment acting as a key catalyst for its success.

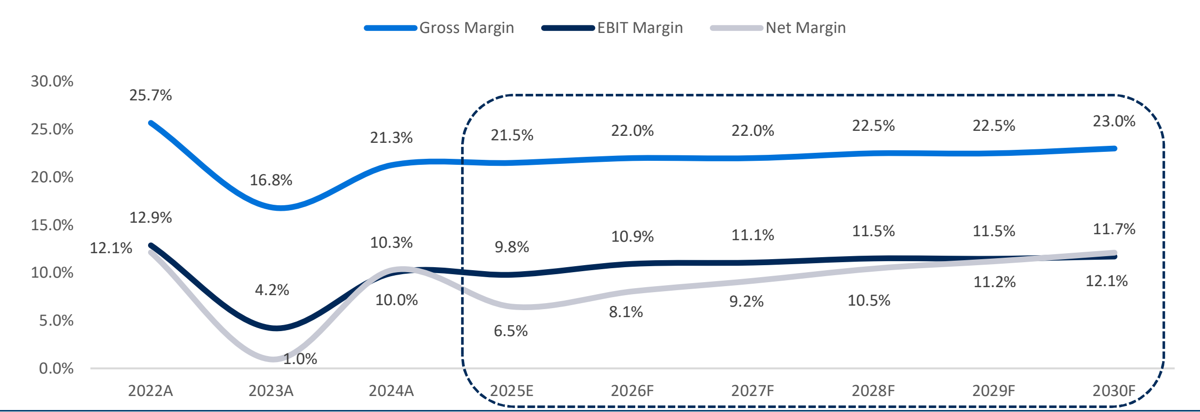
Profitability to improve with scale and ECL moderation

MIS's gross margins peaked at 26.1% in 2021 before dropping sharply to 16.8% in 2023. This decline was primarily driven by a 146.1% YoY surge in Equipment and Software-related direct costs, which we attribute to Phase 1 of data center expansion. However, we expect the simultaneous increase in revenue to help offset rising costs, which are also projected to stabilize, given that a significant portion of these expenses were likely one-off. We forecast a gradual recovery in gross margins to 23.0% by 2030f, still 282 bps below the 2020-2022 average of 25.82%. It is worth noting that a faster-than-expected margin recovery presents an upside risk to our projections.

MIS recorded a 51.4x surge in Expected Credit Losses (ECL) in 2023, which significantly dragged its operating margin down to 4.23%, well below its historical average of 13.2%. This sharp increase was primarily driven by a change in the accounting model, most likely a one-off. While we anticipate a rise in selling & marketing and general & administrative (G&A) expenses, driven by increased marketing efforts for new services and higher payroll costs due to new hires, we still forecast an expansion in operating margins, peaking at 11.4% in 2030f.

MIS has historically maintained a balanced capital structure, with an almost equal mix of equity and debt, except in 2023, when its debt-to-equity ratio spiked to 2.2x. This increase was primarily driven by short-term facilities secured to finance working capital requirements. We expect the debt-to-equity ratio to normalize to an average of 1.1x between 2025e and 2030f, below its historical average of 1.50x, as rising cash reserves enable the company to self-fund its working capital needs. This deleveraging should help ease financing costs, contributing to a slight increase in net margins to an average of 9.8%.

Chart 42: Margins are set to recover, providing support to bottom line



Source: Company Data, anbc Research

Valuation

We have used a blended approach to value MIS, assigning equal weight to DCF and multiple-based valuation. This yielded target prices of SAR 159/share and SAR 155/share, respectively, resulting in a final target price of SAR 157/share, implying a capital upside of 15.5%. We have an 'Overweight' rating on the scrip as we expect the company's core and data centers segment to thrive in the medium to long term.

	anbc Estimate		
SAR mn	**2025E**	**2026F**	**2027F**
Revenue	1,353	1,519	1,691
Gross Margin	21.5%	22.0%	22.0%
EBITDA	140	174	194
Net Income	87	121	153
Net Margin	6.4%	8.0%	9.0%
EPS	2.9	4.0	5.1

Source: anbc Research

DCF Valuation

We used an FCFF-based model, applying a beta of 0.9, a risk-free rate of 5.0%, and a market risk premium of 5.2%, resulting in a cost of equity of 9.4%. Incorporating a cost of debt of 8.8%, we derived a weighted average cost of capital (WACC) of 8.9%.

SAR mn	2026F	2027F	2028F	2029F	2030F	2031F
FCFF	247	273	285	320	312	354
Terminal Value						7,563
FCFF + Terminal	247	273	285	320	312	7,918
Discounted FCFF	**227**	**230**	**221**	**228**	**204**	**4,384**

Enterprise Value	5,493
Cash	37
Debt	(755)
Equity Value	4,775
Target Price	**159**

Source: anbc Research

Sensitivity Analysis on DCF Valuation

		Growth rate				
		3.0%	3.5%	4.0%	4.5%	5.0%
WACC	7.0%	220	251	292	350	439
	8.0%	168	186	208	237	276
	9.0%	134	146	159	176	197
	10.0%	110	118	127	138	150
	11.0%	92	98	104	112	120

Relative Valuation

For our EV/EBITDA multiple (38.3x), we have taken an average multiple of MIS's global data center peers from both developed and emerging markets. Using forward EBITDA (2025e) of SAR 140 mn, we arrived at our target price of SAR 155/share.

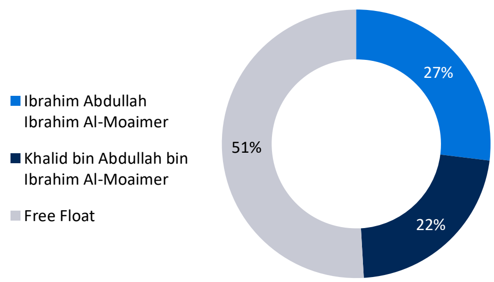
Peer	EV/EBITDA
Elm	44.2
NextDC	41.6
Keppel DC	29.2
Target Multiple	**38.3**
EBITDA (SAR mn)	140
EV (SAR mn)	5,372
Cash (SAR mn)	37
Debt (SAR mn)	755
Target Price	***155***

Source: anbc Research

Company Overview

Al Moammar Information Systems Co. (MIS), founded in 1979 and headquartered in Riyadh, is a leading IT service provider specializing in emerging technologies such as data centers, cloud computing, and artificial intelligence. The company is owned by founding shareholders Mr. Ibrahim Abdullah Ibrahim Al-Moammar (27.0%) and Mr. Khalid bin Abdullah bin Ibrahim Al-Moammar (22.1%), while the remaining 50.9% is publicly traded.

Chart 43: Shareholding structure



Source: Company Data, anbc Research

Chart 44: MIS locations in KSA

Source: Company Data, anbc Research

MIS operates 6 tier III data centers in 2 locations, Dammam and Riyadh, in conjunction with Saudi Fransi Capital. Tier III data centers are an optimal mix between economical pricing and performance efficiency, which is driving the rising colocation demand for the company.

	Tier 1	Tier 2	Tier 3	Tier 4
Uptime Guarantee	99.671%	99.741%	99.982%	99.995%
Downtime/Year	<28.8 hrs	<22 hrs	<1.6 hrs	<26.3 mins
Component Redundancy	None	Partial Backup	Full Backup	Double System + Backup

Source: anbc Research, Uptime Institute

MIS holds businesses in Saudi Arabia, Lebanon, and the British Virgin Islands through its associates and subsidiaries, providing services in finance, cloud, data, and AI.

Subsidiaries	Description
MIS FORWARD	A technology company that helps clients nurture bold ideas and build innovative technology solutions.
EMS	Excellence Medical Systems (EMS), the medical solutions arm of MIS, delivers specialized healthcare systems designed for efficiency, reliability, and industry compliance.
edaratgroup TECHNOLOGY CONSULTANTS	Edarat, listed on Tadawul, provides engineering consultancy for technological infrastructure and cloud services.
MIS pay	MISPay is a fintech company that offers BNPL solutions, serving users and merchants across sectors via prominent retail partnerships.

Source: anbc Research

Financial Overview

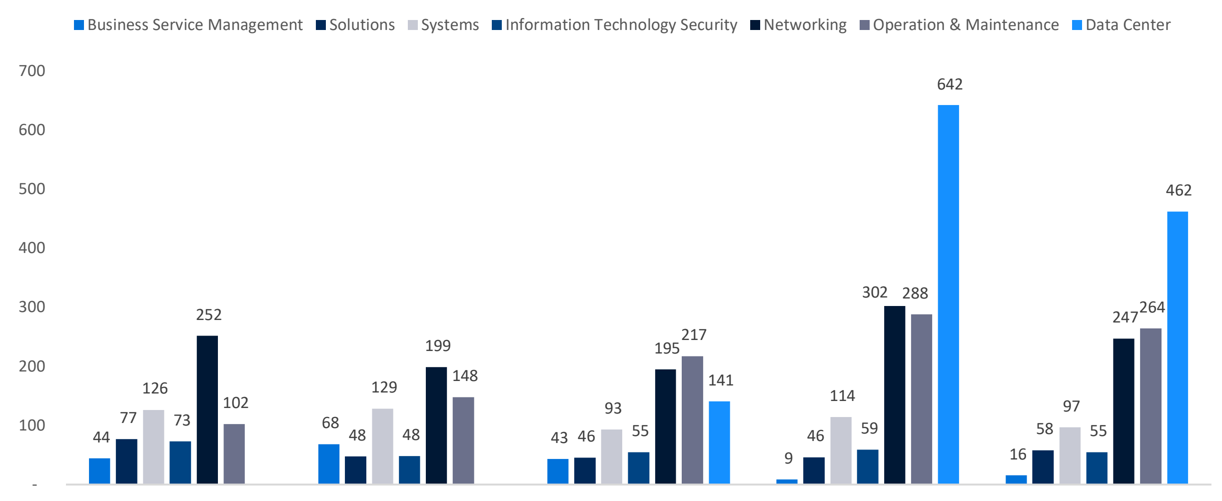
MIS classifies revenue across seven business verticals, with its Data Center unit emerging in 2022 and surpassing the Operation & Maintenance unit as the leading revenue contributor in 2023.

Segment	Description
Business Service Mgmt.	Provides software for business service management, data center optimization, and contact center solutions.
Solutions	Builds and equips GIS centers, offering infrastructure, data, training, and applications.
Systems	Provides technological and business expertise to turn possibilities into real business solutions.
IT Security	Provides comprehensive solutions for developing, deploying, and maintaining information security.
Networking	Builds efficient, cost-effective networks and communication solutions using leading ICT technologies.
O&M	Provides project management support for effective IT infrastructure implementation.
Data Center	Houses servers, networking equipment, and storage systems for data processing and management.

Source: Company Data, anbc Research

MIS achieved a 4-year revenue CAGR of 15.8% (2020-2024), despite a 5.3% YoY decline in 2021 post-COVID and 16.9% YoY decline in 2024 due to IFRS15 adoption. Growth was driven by 84.9% YoY rise in revenue in 2023, fueled by a 356.5% YoY increase in data center revenue. The company has realigned its business, with Business Service Management declining at a CAGR of 22.6% and Operation & Maintenance growing at 26.7% (2020-2024), anticipating greater opportunities in the latter under Vision 2030 initiatives.

Chart 45: Revenue (SAR bn) by segment between 2020-2024



Source: Company Data, anbc Research

Financial Summary

SAR mn										
Income statement	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**	**2031F**	**CAGR 2024-2031F**
Revenue	1,460	1,213	1,353	1,519	1,691	1,875	2,071	2,239	2,422	10.4%
Cost of Revenue	(1,214)	(955)	(1,062)	(1,185)	(1,319)	(1,453)	(1,605)	(1,724)	(1,865)	10.0%
Gross Profit	**246**	**258**	**291**	**334**	**372**	**422**	**466**	**515**	**557**	**11.6%**
Operating Expenses	(184)	(137)	(159)	(170)	(187)	(210)	(233)	(259)	(287)	11.2%
EBIT	**62**	**121**	**132**	**165**	**185**	**212**	**233**	**256**	**270**	**12.1%**
Dep & Amort	6	7	8	9	10	11	12	13	14	9.1%
EBIDTA	**68**	**128**	**140**	**174**	**194**	**222**	**244**	**269**	**283**	**12.0%**
Finance Cost	(53)	(83)	(78)	(63)	(53)	(44)	(35)	(27)	(19)	-18.9%
Profit Before Tax	**24**	**131**	**91**	**124**	**157**	**198**	**235**	**274**	**306**	**12.8%**
Zakat Tax	(10)	(7)	(4)	(4)	(5)	(6)	(8)	(10)	(12)	7.8%
PAT	**14**	**124**	**87**	**121**	**153**	**192**	**227**	**265**	**294**	**13.1%**
Number of Share	30	30	30	30	30	30	30	30	30	
EPS	**0.5**	**4.2**	**2.9**	**4.0**	**5.1**	**6.4**	**7.6**	**8.8**	**9.8**	
Balance Sheet										
Fixed Assets	41	48	45	42	39	36	32	29	24	-9.3%
Other Non-Current Assets	37	428	459	486	516	550	588	631	672	6.7%
Non-current assets	**79**	**476**	**504**	**528**	**555**	**585**	**621**	**659**	**697**	**5.6%**
Trade receivables	654	541	581	633	685	739	795	837	878	7.2%
Cash and Cash equivalents	163	179	37	54	75	102	144	188	257	5.3%
Other Current Assets	959	1,382	1,422	1,445	1,476	1,514	1,564	1,618	1,681	2.8%
Current Asset	**1,776**	**2,102**	**2,040**	**2,132**	**2,236**	**2,356**	**2,503**	**2,643**	**2,816**	**4.3%**
Total Assets	**1,854**	**2,578**	**2,543**	**2,660**	**2,791**	**2,941**	**3,124**	**3,302**	**3,513**	**4.5%**
Total Equity	**287**	**423**	**364**	**412**	**473**	**550**	**641**	**747**	**865**	**10.7%**
Lease liabilities	-	-	-	-	-	-	-	-	-	-
Other Non-Current Liabilities	25	24	24	24	24	24	24	24	24	0.0%
Non-current liabilities	**25**	**24**	**24**	**24**	**24**	**24**	**24**	**24**	**24**	**0.0%**
Trade payables	660	1,009	1,153	1,288	1,434	1,575	1,739	1,867	2,018	10.4%
Short-term Borrowings	619	878	755	661	555	457	350	267	177	-20.4%
Other current Liabilities	263	242	247	275	305	335	370	397	429	8.5%
Current Liabilities	**1,543**	**2,130**	**2,155**	**2,223**	**2,293**	**2,367**	**2,458**	**2,531**	**2,624**	**3.0%**
Total liabilities and equity	**1,854**	**2,578**	**2,543**	**2,660**	**2,791**	**2,941**	**3,124**	**3,302**	**3,513**	**4.5%**

Source: Company Data, anbc Research

Key Ratios

Valuation Ratios	2023A	2024A	2025E	2026F	2027F	2028F	2029F	2030F	2031F
EPS	0.5	4.2	2.9	4.0	5.1	6.4	7.6	8.8	9.8
DPS	2.7	3.2	1.7	2.4	3.1	3.9	4.6	5.3	5.9
BVPS	9.6	14.1	12.1	13.7	15.8	18.3	21.4	24.9	28.8
PE	291.6	32.7	47.1	33.7	26.7	21.2	17.9	15.4	13.9
Div Yield	2.0%	2.4%	1.3%	1.8%	2.2%	2.8%	3.3%	3.9%	4.3%
PBV	14.2	9.6	11.2	9.9	8.6	7.4	6.4	5.5	4.7
EV/Sales	3.1	3.9	3.5	3.1	2.7	2.4	2.1	1.9	1.7
Price / Sales	2.8	3.4	3.0	2.7	2.4	2.2	2.0	1.8	1.7
EV/EBITDA	66.6	37.2	34.2	27.0	23.5	19.9	17.5	15.5	14.1

Margins	2023A	2024A	2025E	2026F	2027F	2028F	2029F	2030F	2031F
Gross Margin	16.8%	21.3%	21.5%	22.0%	22.0%	22.5%	22.5%	23.0%	23.0%
EBITDA Margin	4.7%	10.6%	10.4%	11.4%	11.5%	11.9%	11.8%	12.0%	11.7%
Operating Margin	4.2%	10.0%	9.8%	10.8%	10.9%	11.3%	11.2%	11.4%	11.1%
Net Margin	1.0%	10.3%	6.4%	8.0%	9.0%	10.3%	11.0%	11.8%	12.1%

Returns	2023A	2024A	2025E	2026F	2027F	2028F	2029F	2030F	2031F
ROA	0.8%	5.6%	3.4%	4.6%	5.6%	6.7%	7.5%	8.2%	8.6%
ROE	4.2%	35.0%	22.0%	31.1%	34.5%	37.6%	38.2%	38.1%	36.5%

Health	2023A	2024A	2025E	2026F	2027F	2028F	2029F	2030F	2031F
Debt to Asset	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1
Debt to Equity	2.2	2.1	2.1	1.6	1.2	0.8	0.5	0.4	0.2
Debt to Capital	0.7	0.7	0.7	0.6	0.5	0.5	0.4	0.3	0.2
EBIT/ Interest	1.2	1.4	1.7	2.6	3.5	4.8	6.7	9.6	14.0

Source: Company Data, anbc Research

Disclaimer

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