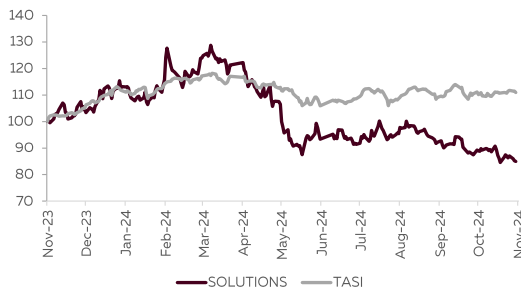


Recommendation	Buy
Current Market Price (SAR)	256.4
52wk High / Low (SAR)	409.8/252.2
Mkt. Cap. (USD/SAR Mn)	8,117/30,456
Shares Outstanding (mn)	120.0
Free Float (%)	20%
3m Average Vol. (000)	211.9
3m Avg Daily Turnover (SAR'000)	58,956
Dividend Yield '24e (%)	2.4%
P/E'24e (x)	27.9
EV/EBITDA'24e (x)	19.2
Source: Bloomberg	

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	8,805	11,040	11,398	12,758
Gross profit	2,011	2,598	2,796	3,317
Gross margin (%)	23%	24%	25%	26%
EBIT	1132	1335	1631	2038
EBIT margin (%)	13%	12%	14%	16%
EBITDA	1,365	1,567	1,945	2,397
EBITDA margin (%)	15%	14%	17%	19%
Net Income	1,053	1,192	1,444	1,841
Net margin (%)	12%	11%	13%	14%
EPS (SAR)	8.77	9.93	12.03	15.34
RoE (%)	41%	39%	40%	44%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Saudi Telecom Co	79.0%
Source: Bloomberg, Yaqeen Capital	

Earnings rise on lower operating expenses

- Solutions' net income rose by 19.6% YoY to SAR 463mn in 3Q2024, driven by reduced operating expenses, including lower general and administrative and selling and distribution costs, alongside a decrease in zakat and tax charges following a reversal of a zakat provision. The 2.4% quarterly rise was mainly attributed to higher gross profit from a reduction in cost of revenues, lower operating expenses despite an increase in general and administrative expenses, and a decrease in zakat and tax charges, offset by a decline in other income due to higher early retirement program expenses. Net margins improved by 3.0ppts YoY (+0.5ppts QoQ) to 16.8%.
- Revenues decreased by 1.5% YoY to SAR 2,753mn in 3Q2024, mainly due to declines in Core ICT Services of 6.9% and IT Managed and Operational Services by 2.9%, partially offset by a 20.3% increase in Digital Services. On a QoQ basis, revenues decreased by 0.7%, driven by a 11.4% drop in IT Managed and Operational Services, despite increases in Core ICT Services (5.3%) and Digital Services (5.2%).
- Gross profit decreased by 8.4% YoY to SAR 729mn in 3Q2024 due to a rise in the cost of revenues and lower revenues, though it improved by 4.8% QoQ due to a higher decrease in cost of revenues relative to revenues. Margins declined by 2.0ppts YoY (+1.4ppts QoQ) to 26.5%.
- Operating profit increased by 10.7% YoY (+21.3% QoQ) to SAR 485mn in 3Q2024 due to lower selling and distribution expenses, with operating margins improving by 1.9ppts YoY (+3.2ppts QoQ) to 17.6%.
- In 9M2024, net income rose by 23.3% YoY to SAR 1,270mn, driven by higher revenues, offset by increased cost of revenues, a decrease in operating expenses from lower general and administrative and selling and distribution costs, a rise in total other income, and a reduction in zakat and tax charges due to a reversal of a zakat provision after finalizing the assessment by ZATCA. Net margins improved by 2.6ppts to 15.2%.
- In 9M2024, revenues increased by 2.0% to SAR 8,333mn, driven by growth in IT Managed and Operational Services (9.8%) and Digital Services (5.5%), despite a 3.4% decrease in Core ICT Services.

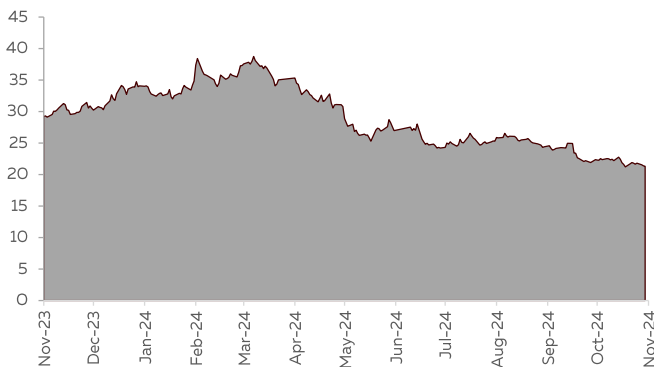
Outlook & Valuation: The ICT sector in KSA is poised for steady growth, fueled by the increasing demand for technological solutions to improve business efficiency. As a major player in the local market, Solutions is expected to outperform this growth, bolstered by rising orders, its strategic partnership with STC, and a focus on mergers and acquisitions. We forecast Solutions' revenues to grow at a 13% CAGR from FY2024-28, with earnings expanding even faster at a 20% CAGR, driven by margin improvements through internal efficiencies. This supports our optimistic long-term outlook for the company. Based on our equal weighted valuation using DCF and EV/EBITDA methodologies, we arrive at a fair value of SAR 324.3/share (+26.5% upside from current level), implying Buy recommendation on the stock.

Financial Summary

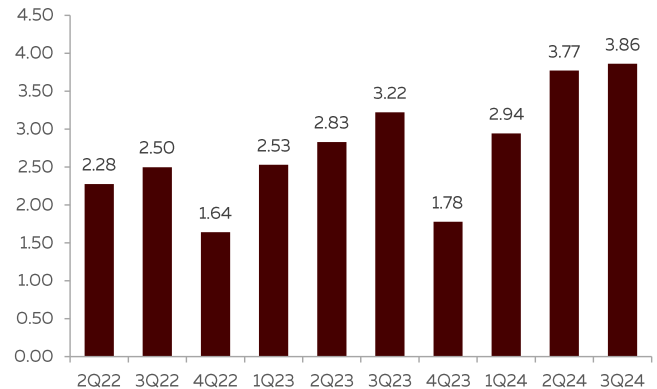
SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	2,753	2,795	-1%	2,771	-1%
Gross profit	729	796	-8%	696	5%
Gross margin (%)	26%	28%		25%	
EBIT	485	438	11%	400	21%
EBIT margin (%)	18%	16%		14%	
EBITDA	553	517	7%	469	18%
EBITDA margin (%)	20%	18%		17%	
Net income	463	387	20%	453	2%
Net margin (%)	17%	14%		16%	
EPS (SAR)	3.86	3.22	20%	3.77	2%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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