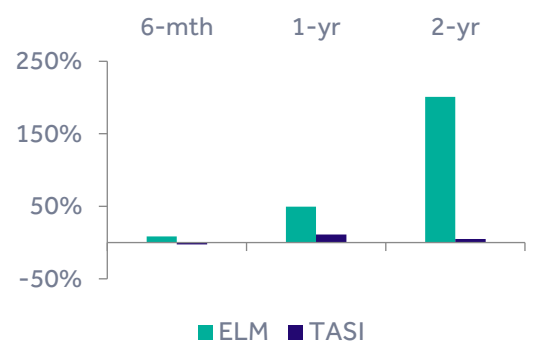


Market Data	
52-week high/low	SAR 1,190.0/681.2
Market Cap	SAR 85,776 mln
Shares Outstanding	80 mln
Free-float	33.00%
12-month ADTV	92,718
Bloomberg Code	ELM AB



■ Topline & Margins Fuel Another Set of Record Results

November 03, 2024

Upside to Target Price	3.5%	Rating	Neutral
Expected Dividend Yield	0.9%	Last Price	SAR 1,072.20
Expected Total Return	4.5%	12-mth target	SAR 1,110.00

Elm	3Q2024	3Q2023	Y/Y	2Q2024	Q/Q	RC Estimate
Sales	1,871	1,521	23%	1,767	6%	1,855
Gross Profit	837	575	46%	735	14%	742
Gross Margins	45%	38%		42%		40%
Operating Profit	494	323	53%	464	6%	438
Net Profit	498	334	49%	486	2%	409

(All figures are in SAR mln)

- Elm reported a record topline of SAR 1.87 bln in 3Q24 (+23% Y/Y, +6% Q/Q), matching our SAR 1.86 bln forecast. The Y/Y growth was led by a +32% Y/Y increase in Digital Business (DB), and +4% rise in Business Process Outsourcing (BPO), which offset the -33% decline in Professional Services (PS). Sequentially, the increase was driven by +14% growth in DB that overshadowed a decline of -15% in BPO and -18% in PS. For segments contribution, DB contribution was up, and the other two down, on both Y/Y and Q/Q basis.
- Gross margins this quarter reached a record level, most likely on higher DB margins, at 45% vs 38% last year, and 42% last quarter. This resulted in a robust +46% Y/Y and +14% Q/Q growth in gross profit to a record SAR 837 mln, which caused a deviation versus our estimates.
- On the other hand, OPEX jumped by +36% Y/Y and +27% Q/Q to SAR 343 mln, compared to our SAR 304 mln estimate. Consequently, operating margin is up to 26.4% from 21.2% last year and 26.3% last quarter.
- Despite lower non-operating income, Elm reported record net income this quarter of SAR 498 mln (+49% Y/Y, +2% Q/Q), higher than our SAR 409 mln forecast and SAR 433 mln consensus estimates. Net margin was higher Y/Y but lower Q/Q, dragged down by lower non-operating income. We increase our target price to SAR 1,110.00 but maintain our Neutral rating.

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## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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