

Elm Delivers Record Revenue Beating Guidance

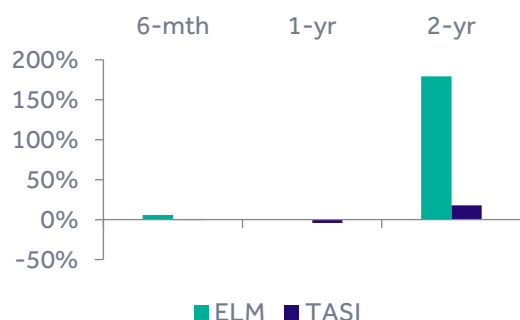
March 02, 2025

Upside to Target Price	11.3%	Rating	Neutral
Expected Dividend Yield	0.9%	Last Price	SAR 1,064.80
Expected Total Return	12.2%	12-mth target	SAR 1,185.00

Market Data	
52-week high/low	SAR 1,289.0/796.8
Market Cap	SAR 85,184 mln
Shares Outstanding	80 mln
Free-float	33.00%
12-month ADTV	74,841
Bloomberg Code	ELM AB

Elm	4Q2024	4Q2023	Y/Y	3Q2024	Q/Q	RC Estimate
Sales	2,129	1,685	26%	1,871	14%	1,951
Gross Profit	827	629	32%	837	(1%)	883
Gross Margins	39%	37%		45%		45%
Operating Profit	408	330	24%	494	(17%)	511
Net Profit	497	327	52%	498	(0%)	501

(All figures are in SAR mln)



- Elm reported a record topline of SAR 2.13 bln in 4Q24 (up +26% Y/Y, and +14% Q/Q), beating our SAR 1.95 bln forecast. Y/Y growth was driven by a +38% Y/Y surge in Digital Business (DB) and a +19% rise in Professional Services (PS), offsetting a marginal -2% decline in Business Process Outsourcing (BPO). Q/Q growth was supported by all segments, with DB, BPO, and PS up +12%, +13%, and +112%, respectively. For the full year, revenues reached SAR 7.4 bln, up +25.6%, exceeding management’s guidance of 22-24% growth. This was fueled by a surge of +28.5% in DB and +20.7% in BPO, despite a -6.7% decline in PS.
- Gross margin for the quarter stood at 39%, above 37% last year but below 45% last quarter, missing estimates. Gross profit rose +32% Y/Y to SAR 827 mln on higher revenues and improved margins, though it saw a slight sequential decline due to margin contraction.
- OPEX reached a record SAR 420 mln, up +40% Y/Y and +22% Q/Q, exceeding our SAR 371 mln high-end estimate. Consequently, the operating margin declined to 19.1% from 19.6% last year and 26.4% last quarter.
- Net profit for 4Q came in at SAR 497 mln (+52% Y/Y, -0.3% Q/Q), matching our SAR 501 mln estimate but exceeding SAR 461 mln market consensus. Other income of SAR 111.4 mln in this quarter, primarily from gains on assets disposals, lifted the net margin to 23.3%, above operating margin. The company announced a SAR 4.00 DPS for 2H2024, bringing full-year DPS to SAR 7.50 at a 33% payout. We previously discussed the acquisition of Thiqah Company in our last update, and we maintain our SAR 1,185.00 target price with a Neutral stance.

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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

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