

Market Data	
52-week high/low	SAR 409.8/250.0
Market Cap	SAR 38,352 mln
Shares Outstanding	120 mln
Free-float	19.9%
12-month ADTV	192,494
Bloomberg Code	SOLUTION AB



## Full Year Revenues Surge +9.3%

February 17, 2025

Upside to Target Price	6.4%	Rating	Neutral
Expected Dividend Yield	2.5%	Last Price	SAR 319.60
Expected Total Return	8.9%	12-mth target	SAR 340.00

SOLUTIONS	4Q2024	4Q2023	Y/Y	3Q2024	Q/Q	RC Estimate
Sales	3,730	2,868	30%	2,753	35%	3,441
Gross Profit	738	464	59%	729	1%	647
Gross Margins	20%	16%		26%		19%
Operating Profit	406	204	99%	485	(16%)	328
Net Profit	327	162	102%	463	(29%)	287

(All figures are in SAR mln)

- Solutions 4Q2024 revenues surged by +30% Y/Y and +35% Q/Q to a record level at SAR 3.7 bln, driven by a completion of key milestones for certain projects as well as a ramp-up of others. This strong result exceeded both BBG consensus estimates of SAR 3.6 bln and ours, and lifted full year revenues to SAR 12.1 bln, up +9.3%, achieving management's revenue growth guidance of 8-11%, despite muted revenues over the past three quarters. Full year growth was driven by a +3.2% increase in Core ICT Services, a +21.0% incline in IT Managed Services, and an +8.1% growth in Digital Services. On quarterly basis, Core ICT and IT Managed were up +40% and +51%, while Digital Services decline by -4% Q/Q. All entities demonstrated robust Q/Q revenue growth, primarily Solutions, yet maintained similar revenue shares of 70%, 13%, and 17% for Solutions, Giza, and CCC, respectively.
- Gross margin for the quarter stood at 19.8%, compared to 26.5% last quarter and 16.2% last year, higher than our 18.8% estimate. Gross profit is up +59% Y/Y, supported by improved margins. OPEX came in at SAR 332 mln, up +28% Y/Y and +36% Q/Q, in-line with our estimate. This resulted in an operating margin of 10.9% compared to 17.6% last quarter and 7.1% last year.
- Net profits of SAR 327 mln were up +102% Y/Y but down -29% Q/Q, beating both market consensus and our estimate of SAR 278 mln and SAR 287 mln, respectively. The sequential decline resulted from lower margins coupled with Zakat reversal of SAR 73.1 mln in last quarter. 4Q net margin of 8.8% was higher than our 8.3% estimate. Full-year net profits jumped by +21%, on higher operating margins and the Zakat reversal, resulting in a record net margin of 13.2% vs 10.8% last year. The company announced a SAR 10 DPS for the year (comprising SAR 8 ordinary, and SAR 2 in special cash dividends). We raise our target price to SAR 340.00 per share, but downgrade to Neutral rating, as the stock has rallied since our last report.

**Abdulrahman M Barghouth**

abdulrahman.barghouth@riyadcapital.com

+966-11-203-6815

## 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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