

## Rebound in Q4-24 revenues reaches management guidance for FY24 to supports net income of SAR 327.4mn

Solutions posted a Q4-24 net income of SAR 327.4mn (up 102.1% Y/Y and down 29.4% Q/Q) to report broadly in line with our estimate of SAR 309.0mn (6% deviation), and positively surprising market estimates by 17.8%. Quarterly results were supported by a recovery in revenue growth after a year of delayed revenue recognitions, to reach SAR 3,730mn by Q4-24 (up 30% Y/Y and 36% Q/Q), bringing annual revenues to grow at 9.3% to reach SAR 12.1bn during FY24. IT Managed & Operational services lead the annual top line growth as the segment grew by 21.0%. GP margins fell sequentially during the quarter to reach 19.8% (down 670bps Q/Q and up 360bps Y/Y) likely due to seasonal contract obligations. Despite GPM's for the year winding down by 46bps, improvement in OPEX-to-Revenues by 170bps (reaching a record low of 9.3%), as well as improvements in non operational items throughout the year, driven by a Zakat reversal, supported the annual bottom line to rise by 34.0% reaching SAR 1.6bn. We retain our **"Overweight"** recommendation with a **TP of SAR 331.0/share**.

- Solutions ended the year with a Q4-24 net income reaching SAR 327.4mn; increasing 102.1% Y/Y and decreasing by 29.4% Q/Q, partially as a result of a Zakat provision reversal taking place during the previous quarter. Net income was broadly in line with our estimate of SAR 309.0mn (6.0% deviation), while positively surprising market estimates of SAR 277.9mn (17.8% deviation). On a full year basis, FY24's net income of SAR 1,597mn grew by 34.0% Y/Y, supported by a SAR 171mn decrease in Zakat charges as a result of the finalized ZATCA assessment prompting a reversal. FY24's higher revenue and improved OPEX-to-revenue, from 11% to 9.3%, offset the 46bps decrease in GPM and drove annual bottom line to grow by 34.0% to reach SAR1.6bn.
- After 9M of flat like revenue growth, the company's Q4-24 top line recorded SAR 3,730mn, recovering growth by 30% Y/Y and 35.5% Q/Q. Top line performance took FY24's revenue to the mid point of managements guidance of 8%-11% as annual revenues reach SAR 12.1bn (up 9.3%). Results positively surprised our quarterly top line estimates of SAR 3,303.8mn by 13%. IT Managed and Operational Services lead the growth in top line, contributing SAR 685mn to the top line growth as the segment grew by 21.0% Y/Y. Digital Services and Core ICT Services both grew 8.1% and 3.2%, respectively.
- Gross profits reached SAR 738.4mn, up 59.1% Y/Y and 1.3% Q/Q, and positively surprising our estimates of SAR 666.7mn by 10.8%. GPM sequentially decreased to 19.8% in Q4-24 at its lowest during the year (down 670bps Q/Q and up 360bps Y/Y). Decrease is likely due to the seasonal nature of contract obligations taking place during end of year.
- Operating profit at SAR 406.0mn during Q4-24 grew by 98.8% Y/Y while down 16.3% Q/Q. This positively surprised our EBIT estimate of SAR 367.3mn by 10.5%. OPEX-to-revenues improved slightly by 20bps Y/Y while remaining flat Q/Q. On a full year basis, OPEX-to-revenues improved by 170bps to reach 9.3%, which is the lowest OPEX-to-Revenues to date from since 2017. Further contributing to the annual bottom line is the net improvement in non operational items from SAR -194.7mn to SAR -64mn largely due to the decrease in Zakat charges by SAR 171mn despite a decrease in finance income by SAR 31mn.

- AJC view and valuation:** Solutions displayed a rebound in its top line after 3 quarters of flat-like revenue growth, to meet management guidance and support a net income positively surprising market estimates by 17.8% to reach SAR 327.4mn. We look to Solutions' strong balance sheet, and cash profile, as well as its backlogs- previously communicated at SAR 14bn, at 1.2x of FY24 revenues- to favor the financial health of the company, which was able to announce a special dividend of SAR 10 per share for FY24 (3.1% dividend yield). Furthermore, the company's key activities such as its latest PPP revenue sharing project with Sports Boulevard, among others, provides visibility on momentum towards key government projects. We retain our **TP of SAR 331.0/share** at an **"Overweight"** recommendation.

### Results Summary

SAR mn	Q4-23	Q3-24	Q4-24	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	2,868.3	2,753.2	3,730	30.0%	35.5%	12.9%
Gross Profit	464.1	729.3	738.4	59.1%	1.3%	10.8%
Gross Margin	16.2%	26.5%	19.8%	-	-	-
EBIT	204.2	485.3	406.0	98.8%	-16.3%	10.5%
Net Profit	162.0	463.5	327.4	102.1%	-29.4%	5.9%
EPS	1.35	3.86	2.73			

Source: Company Reports, AlJazira Capital Research

### Recommendation **Overweight**

**Target Price (SAR)** 331.0

**Upside / (Downside)\*** 3.6%
Source: Tadawul \*prices as of 16<sup>th</sup> of Feb 2025

### Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	11,040	12,064	13,012	13,971
Growth %	25.4%	9.3%	7.9%	7.4%
Net Income	1,192	1,597	1,709	1,859
Growth %	0.3%	34.0%	7.0%	8.8%
EPS	9.9	13.3	14.2	15.5
DPS	6.0	10.0*	9.3	10.0

Source: Company reports, AlJazira Capital Research \*Special dividend

### Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	23.5%	23.1%	23.8%	24.0%
Net Margin	10.8%	11.8%	13.1%	13.3%
P/E	35.1	20.3	22.5	20.6
P/B	12.5	8.1	8.4	7.3
Dividend Yield	1.7%	3.7%	2.9%	3.1%

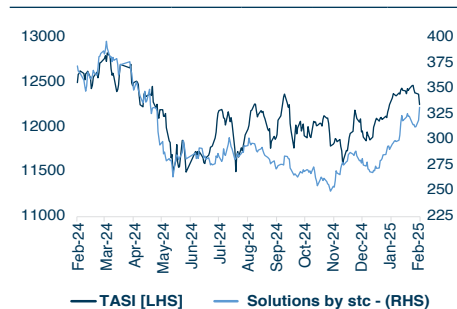
Source: Company reports, AlJazira Capital Research,

### Key Market Data

Market Cap(bn)	39.8
YTD%	18.4%
52 week (High)/(Low)	250.0/409.8
Share Outstanding (mn)	120

Source: Company reports, AlJazira Capital Research

### Price Performance



Source: Tadawul, AlJazira Capital Research

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RESEARCH  
DIVISION

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RATING  
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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