

Slowing contract wins and elevated working capital requirements cloud medium-term prospects; "Neutral"

Despite posting healthy revenue growth over the past year, Perfect Presentation (2P) continues to face a challenging operating environment characterized by declining new contract awards, persistent pricing pressure across government ICT tenders, and elevated working capital requirements. While the company's SAR 2.4bn backlog provides reasonable short-term revenue visibility and supports our expectation of FY25-30E revenue and earnings CAGR of 6.5% and 9.8%, respectively, margin expansion remains constrained by increasing competition, declining contribution from Licensing & Development services, and the gradual commoditization of selected ICT offerings. Furthermore, prolonged receivable collection cycles, elevated debt levels, and rising ECL provisions continue to weigh on cash flow generation and balance sheet quality. Nevertheless, the company's growing exposure to recurring ICT services, including Operations & Maintenance and Managed Services, alongside continued backlog conversion, should support earnings growth over the medium term. Balancing these opportunities against the prevailing operational and financial headwinds, we assign "Neutral" rating on the stock with a TP of SAR 7.7/share, implying an upside potential of 14.7%.

Strong topline growth was offset by higher provisions, contraction in gross margins and finance costs:

During FY25, 2P delivered a solid topline performance, with revenues rising 15.5% Y/Y to SAR 1,237mn, supported by sustained execution across core ICT verticals and improving delivery capabilities. Growth was primarily driven by Maintenance & Operations (+26% Y/Y), Call Center (+26% Y/Y), and Managed Services (+33% Y/Y), while Cybersecurity and Licensing & Development remained the key laggards, with revenues declining by 40% Y/Y and 8% Y/Y, respectively. Excluding one-off gains recorded in FY24, the company would have delivered earnings growth of 9.1% in FY25, compared to the reported decline of 17%. The growth momentum continued into 1Q26, with revenues increasing 14% Y/Y, led by Maintenance & Operations, which accounted for 36.7% of revenues and grew by 23.2% Y/Y, followed by Call Centers (30.0% of revenues; +9.5% Y/Y). Managed Services and Cybersecurity remained the fastest-growing segments, expanding by 104.4% Y/Y and 272.7% Y/Y, respectively, although from a relatively smaller base. In contrast, Licensing & Development, which contributed 15.0% of revenues, recorded a sharp decline of 32.9% Y/Y, continuing its downward trend and partially offsetting the strong performance across other business segments. Despite the strong revenue growth, profitability remained under pressure as higher ECL provisions (+88% Y/Y), contraction in gross margins by 86 bps Y/Y and finance costs (+34% Y/Y) weighed on earnings, limiting net income growth to just 2.4% Y/Y to SAR 33.1mn during the quarter.

Decrease in new contracts signals weak outlook in the medium term: During the last year, 2P secured SAR 1.3bn worth of new projects, which expanded the company's backlog to SAR 2.4bn by the end of year implying 1.9x of FY25 revenue coverage with decent visibility in the short term. However, compared to FY24, new additions declined by c.32% Y/Y. This momentum continues in 2026 with 2P securing c.SAR 420mn worth of new contracts till date as compared to SAR 607mn secured in the SPLY, thus reflecting a decline of 31% on Y/Y basis. Thus, we expect company to close 1HFY26 with the backlog of SAR 2.5bn. The continuous decline in new contracts is somehow partially attributable to the overall macroeconomic climate in the wake of recent geopolitical events along with the overall slowdown in the long term demand for the commoditized ICT services in the Saudi Arabia. In consideration of this, we foresee better visibility in the next 2 years revenues trajectory wherein we expect FY26 and FY27 growth to be 12.3% and 8.1%, respectively on Y/Y basis. From FY28 onward, we expect growth to moderate, translating into FY25-30E revenue and earnings CAGR of 6.5% and 9.8%, respectively, with revenues and net income reaching SAR 1,694mn and SAR 214mn, respectively by FY30.

Recommendation Neutral

Target Price (SAR) 7.7

Upside / (Downside)* 14.7%

Source: Tadawul *prices as of 22nd of June, 2026

Key Financials

SARmn (unless specified)	FY24	FY25	FY26E	FY27E
Revenues	1,071	1,237	1,390	1,503
Growth %	-5.2%	15.5%	12.3%	8.1%
Gross Profit	251	281	304	328
Net Income	163	134	157	178
Growth %	26.3%	-17.8%	16.6%	13.5%
EPS	0.49	0.41	0.47	0.54
DPS	0.00	0.00	0.00	0.00

Source: Company reports, Aljazeera Capital Research

Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	23.4%	22.7%	21.8%	21.8%
Operating Margin	19.9%	15.5%	15.0%	15.1%
Net Margin	15.3%	10.8%	11.3%	11.8%
ROE	35.2%	22.1%	20.9%	19.4%
ROA	12.5%	8.0%	7.7%	8.0%
P/E (x)	25.3	27.5	14.2	12.5
P/B (x)	7.6	5.5	2.7	2.2
EV/EBITDA (x)	20.3	21.4	13.4	12.0
Dividend Yield	0.0%	0.0%	0.0%	0.0%

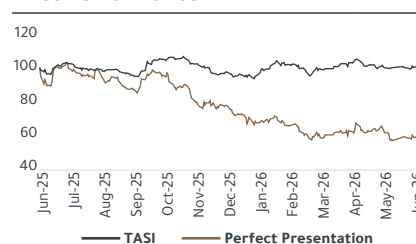
Source: Company reports, Aljazeera Capital Research

Key Market Data

Market Cap(bn)	2.2
YTD%	-12.3%
52 week (High)/(Low)	10.7/6.2
Share Outstanding (mn)	330

Source: Tadawul, Aljazeera Capital Research

Price Performance



Source: Tadawul, Aljazeera Capital Research

Service wise revenue mix

	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Maintenance & Ops	27.5%	21.9%	14.9%	14.1%	13.9%	13.8%	13.9%
Cust Exp	27.8%	30.3%	30.1%	29.5%	28.8%	28.0%	27.6%
Licensing & Dev	9.8%	11.3%	14.7%	15.7%	16.9%	17.8%	18.2%
Cybersecurity	32.1%	35.0%	37.6%	37.6%	37.0%	36.6%	36.5%
Managed Services	2.8%	1.4%	2.7%	3.1%	3.4%	3.7%	3.8%

Source: Company Reports, Aljazeera Capital

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Shifting Revenue mix failed to expand gross margins as pricing pressure continues: 2P continues to transition toward higher-margin and recurring ICT services, with Customer Experience contribution declining from 48% in FY20 to 30% in FY25, while Operations & Maintenance and Managed Services increased their share to 35% (FY20: 27.8%) and 11% (FY23: 2.4%), respectively. We expect this shift to continue over our forecasted horizon, with Managed Services contribution increasing further to 18.2% by FY30 (FY25: 11.3%) and Cybersecurity to 3.8% (FY25: 1.4%), while Call Center and Licensing & Development contributions declined to 27.6% (FY25: 30.3%) and 13.9% (FY25: 21.9%), respectively. Operations & Maintenance is expected to remain broadly stable at 36.5% of revenues (FY25: 35.0%). However, despite this favorable shift in revenue mix, gross margins have continued to contract from the FY23 peak of 23.4%, primarily due to pricing pressure following the implementation of the Etimad platform. In addition, the continued decline in Licensing & Development revenues (-8% Y/Y in FY25 and -33% Y/Y in 1Q26) is likely to further weigh on profitability. Consequently, we expect gross margins to contract by 80bps Y/Y to 21.9% in FY26 while gradually declining to 21.5% by FY30. We also note that Customer Experience and Managed Services, which collectively account for c.41% of revenues, remain exposed to AI-led automation, potentially adding further pricing pressure over the medium term. Recent developments globally support this view, including HSBC's planned reduction of c.20,000 roles across non-client-facing customer experience functions and Infosys highlighting AI-driven deflationary pressures on traditional ICT services.

Balance Sheet & working capital: Structural strain persists; No payouts expected until FY28: 2P's balance sheet remains under sustained pressure, driven by a structurally high government revenue concentration of 91% in 1Q2026, exposing the company to protracted public-sector collection cycles. The cash conversion cycle has deteriorated sharply from 85 days in FY2021 to 309 days in FY2025, reflecting parallel build-ups in contract asset days (107 to 212 days) and trade debtor days (54 to 230 days). Management had previously guided that Etimad platform led invoice automation would ease collection pressures, though this has yielded no visible impact on working capital. Consequently, total debt has risen to SAR 748mn (D/E: 1.02x, highest in peer group) against a thin cash balance of SAR 86mn in FY25. ECL charges compound the concern, having more than doubled from SAR 13mn in FY2023 to SAR 34mn in FY2025 and accelerating further in Q1 2026 (SAR 11.5mn vs. SAR 6.1mn, +88% YoY). Owing to the company's prudent provisioning approach, we expect ECL charges to remain elevated throughout our forecast horizon (FY26-30E). Consequently, we do not assume any meaningful improvement in 2P's cash conversion cycle over the medium term. In this context, although shareholders recently authorized the Board of Directors to distribute interim dividends during 2026, we believe any such distributions would likely require additional borrowing rather than being funded through internally generated cash flows. Therefore, given the company's stretched balance sheet and ongoing working capital challenges, we do not assume any dividend payouts over FY26-27E, with distributions expected to resume only from FY28 onwards.

AJC view and valuation: We have a Neutral stance on 2P as healthy backlog conversion and growth in recurring ICT services are offset by weakening new contract momentum, continued pricing pressure, and persistent working capital challenges. While we expect the company to deliver FY25-30E revenue and earnings CAGR of 6.5% and 9.8%, respectively, elevated receivables, leverage, and ECL provisions are likely to limit near-term valuation re-rating. Accordingly, we assign "Neutral" rating on the stock with a blended TP of **SAR 7.7/share** (50% DCF based on a 9.2% WACC and 2.5% terminal growth rate, and 50% P/E based on 16x FY26E earnings), implying an upside potential of 14.7% from the current market price.

Valuation Methodology

	TP (SAR)	Weight	Weighted TP
DCF	7.9	50%	3.9
P/E (P/E of 16.0x on FY26E)	7.6	50%	3.8
Blended TP			7.7
Upside/(Downside) potential			14.7%

Source: Aljazeera Capital research, prices as of 22nd June, 2026

Upside risks to valuation:

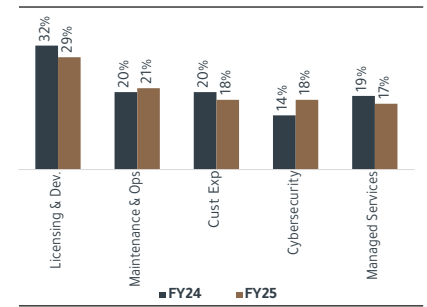
- Improvement in receivables collection
- Higher than expected increase in Cyber security business.

Downside risks to valuation:

- Delay in backlog conversion and projects execution.
- Prolonged pressure on gross margins.

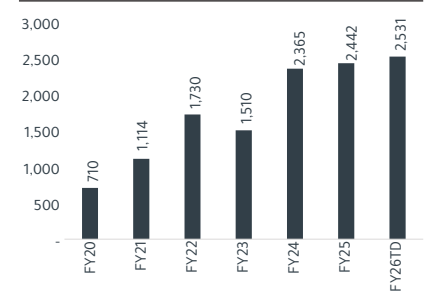
Source: Aljazeera Capital research, prices as of 22nd June, 2026

Segmental gross margins



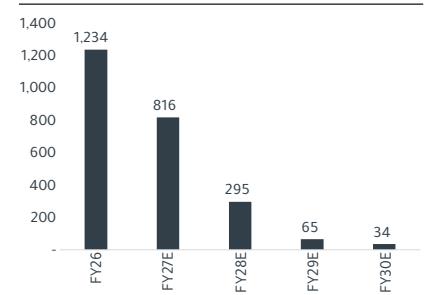
Source: Company reports, Aljazeera Capital Research

Backlog (SARmn)



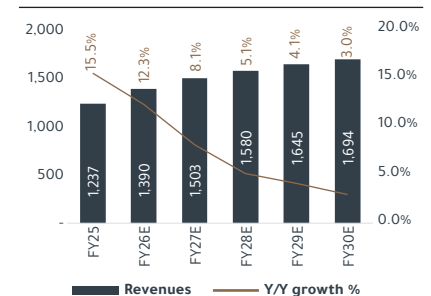
Source: Company reports, Aljazeera Capital Research

Current Backlog distribution (SARmn)



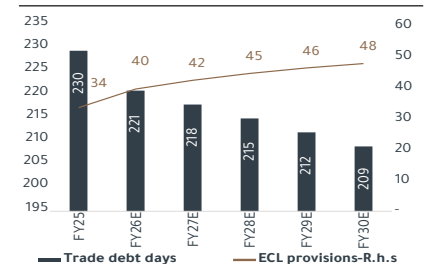
Source: Company reports, Aljazeera Capital Research

Revenue trajectory (SARmn)



Source: Company reports, Aljazeera Capital Research

Trade debt days vs ECL Provisions(SAR mn)



Source: Company reports, Aljazeera Capital Research

Key Financial Data

Amount in SARmn, unless otherwise specified	FY24	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement								
Revenues	1,130	1,071	1,237	1,390	1,503	1,580	1,645	1,694
Y/Y	21.8%	-5.2%	15.5%	12.3%	8.1%	5.1%	4.1%	3.0%
Cost	(919)	(820)	(956)	(1,086)	(1,175)	(1,237)	(1,289)	(1,329)
Gross profit	210	251	281	304	328	343	356	365
GPM	18.63%	23.43%	22.73%	21.87%	21.83%	21.73%	21.63%	21.53%
Operating Expenses								
Selling and distribution expenses	(7)	(7)	(13)	(14)	(16)	(17)	(17)	(18)
General and administrative expenses	(26)	(44)	(47)	(47)	(49)	(51)	(53)	(55)
Impairment loss in trade receivables	(13)	(31)	(34)	(40)	(42)	(45)	(46)	(48)
Other income/expenses	9	12	4	6	6	6	7	7
PPE Disposals		32						
Operating profit	174	213	188	203	221	231	239	244
Y/Y	7.7%	22.5%	-11.9%	8.1%	9.0%	4.6%	3.4%	2.0%
OPM	15.4%	19.9%	15.5%	15.0%	15.1%	15.0%	14.9%	14.8%
Financing Expense (net)	(38)	(42)	(49)	(44)	(41)	(35)	(31)	(26)
Other income/expenses	-	-	-	-	-	-	-	-
Income before zakat	135	171	138	158	180	197	208	218
Zakat	(6)	(8)	(8)	(7)	(8)	(9)	(10)	(10)
Net income*	129	163	134	157	178	194	205	214
Net Margin	11.4%	15.3%	10.8%	11.3%	11.8%	12.3%	12.5%	12.7%
Y/Y	-1.6%	26.3%	-17.8%	16.6%	13.5%	9.1%	5.9%	4.4%
EPS (SAR)	0.39	0.49	0.41	0.47	0.54	0.59	0.62	0.65
DPS	0.00	0.00	0.00	0.00	0.00	0.12	0.16	0.26
Balance sheet								
Assets								
Cash & equivalent	52	100	87	41	53	90	119	138
Contract Assets	425	487	719	903	977	1,027	1,069	1,101
Receivables	495	581	778	841	898	931	956	970
Other current assets	32	101	101	108	112	114	114	113
Total current assets	1,003	1,270	1,686	1,893	2,040	2,162	2,258	2,322
Property plant & equipment	149	131	212	210	207	205	203	200
Intangible Assets	27	34	35	41	45	47	50	53
Total assets	1,178	1,435	1,933	2,144	2,292	2,414	2,511	2,576
Liabilities & owners' equity								
Other current liabilities	193	190	214	228	247	262	275	286
Contract Liabilities	61	44	48	52	55	56	57	57
Payables	197	185	193	205	212	224	233	240
Short Term Debts	308	429	665	685	625	565	485	405
Total non-current liabilities	37	41	142	146	148	147	147	145
Paid -up capital	150	300	330	330	330	330	330	330
Statutory reserves	26	42	56	106	114	114	114	114
Retained earnings	206	203	286	392	561	717	870	999
Total owners' equity	382	545	672	828	1,006	1,161	1,315	1,443
Total equity & liabilities	1,178	1,435	1,933	2,144	2,292	2,414	2,511	2,576
Cashflow statement								
Operating activities	(114)	(64)	(184)	(43)	93	155	179	204
Investing activities	(45)	35	(100)	(14)	(14)	(12)	(13)	(14)
Financing activities	141	78	270	12	(67)	(105)	(137)	(171)
Change in cash	(18)	49	(14)	(46)	12	37	29	19
CAPEX	(22)	(10)	(93)	(18)	(19)	(20)	(21)	(22)
Ending cash balance	49	98	87	41	53	90	119	138
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	5.2	6.7	7.9	8.3	8.3	8.3	8.2	8.1
Quick ratio (x)	5.2	6.7	7.8	8.3	8.2	8.2	8.2	8.1
Profitability ratios								
Gross profit margin	18.6%	23.4%	22.7%	21.9%	21.8%	21.7%	21.6%	21.5%
Operating margin	15.4%	19.9%	15.2%	14.6%	14.7%	14.6%	14.5%	14.4%
EBITDA margin	15.8%	20.6%	16.5%	15.8%	15.9%	15.8%	15.7%	15.6%
Net profit margin	11.4%	15.3%	10.8%	11.3%	11.8%	12.3%	12.5%	12.7%
Return on assets	18.5%	12.5%	8.0%	7.7%	8.0%	8.2%	8.3%	8.4%
Return on equity	40.7%	35.2%	22.1%	20.9%	19.4%	17.9%	16.6%	15.5%
Leverage ratio								
Debt / equity (x)	0.82	0.79	1.11	91.7%	68.8%	53.9%	41.0%	31.4%
Market/valuation ratios								
EV/sales (x)	3.4	4.2	3.5	2.1	1.9	1.7	1.6	1.5
EV/EBITDA (x)	21.8	20.3	21.4	13.4	12.0	11.0	10.2	9.6
EPS (SAR)	0.39	0.49	0.41	0.5	0.5	0.6	0.6	0.6
BVPS (SAR)	1.2	1.7	2.0	2.5	3.0	3.5	4.0	4.4
Market price (SAR)*	10.99	12.51	11.18	6.73	6.73	6.73	6.73	6.73
Market-Cap (SAR mn)	3,627	4,128	3,689	2,221	2,221	2,221	2,221	2,221
P/E ratio (x)	28.1	25.3	27.5	14.2	12.5	11.5	10.8	10.4
P/BV ratio (x)	9.5	7.6	5.5	2.7	2.2	1.9	1.7	1.5

Source: Company reports, Aljazeera capital Research, prices as of 22nd June 2026

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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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