August 2026

Perfect Presentation for Commercial Services Co.

Results Flash Note Q2-26

Growth in recurring ICT services supports margins, despite legacy business weighing on top-line performance

2P reported earnings of SAR 37mn in Q2-26, up 4.3% Y/Y, broadly in-line with AJBC and consensus estimates. Earnings growth driven by underlying business fundamentals, with gross and operating profit rising 10.4% and 12.8% Y/Y, at the back of favorable revenue mix and disciplined cost control. Revenue grew 5.7% Y/Y but missed AJBC estimate by 7.9%, as strong growth in the Call Center, Managed Services and Cybersecurity segments was more than offset by a sharp decline in the Others segment (Maintenance & Operations and Licensing & Development). Nevertheless, gross and operating margins grew 92bps and 99bps Y/Y, highlighting healthy operating leverage despite the softer-than-expected revenues. While healthy backlog conversion and continued growth in recurring ICT services to support medium-term earnings, moderating new contract wins, persistent pricing pressure and elevated working capital requirements could limit near-term earnings growth.

- **2P reported net income** of SAR 37mn in Q2-26, up 4.3% Y/Y and 10.5% Q/Q. The result was in-line with AJBC and consensus estimate of SAR 35mn and SAR 36mn, respectively. Earnings growth was driven by underlying business fundamentals rather than any non-operating factors. A sharp 10.4% Y/Y rise in gross profits and 12.8% rise in operating profit were the key drivers for the earnings growth. We believe a rise in below EBIT cost intensity could have led to 15bps contraction in the net margins to 11.6%.
- **Revenues** grew 5.7% Y/Y but fell 4.4% Q/Q to SAR 316mn, missing AJBC estimate of SAR 343mn by -7.9%, primarily due to weaker than expected performance in Others segment. The growth was led by its strategic service offerings, although weakness in legacy business weighed on the overall performance. Call Center revenue grew 16.8% Y/Y to SAR 107mn, while Managed Services more than doubled to SAR 53mn (+110.2% Y/Y), reflecting sustained momentum in recurring managed IT services. Cybersecurity also continued its strong growth trajectory, with revenue reaching SAR 13mn from SAR 2mn in Q2-25. These gains were, however, partially offset by a 20.4% Y/Y decline in Others segment to SAR 143mn.
- **Gross profit** grew at a faster pace than revenue, reflecting an improvement in underlying profitability. Gross profit rose 10.4% Y/Y to SAR 69mn, outpacing revenue growth of 5.5%, as a result the gross margins expanded 92bps to 21.7% (v/s AJBC estimate of 20.0%). The margin expansion suggests a favorable revenue mix, with higher contribution from the higher-margin Managed Services and Cybersecurity businesses, alongside improved operating efficiency. Consequently, larger proportion of incremental revenue translated into gross profit, providing solid foundation for the subsequent growth in operating profit.
- **Operating profit** rose 12.8% Y/Y (10.6% Q/Q) to SAR 50mn. The operating profit outpaced the revenue growth, underpinned by higher gross profit and disciplined cost management. As a result, the operating margins expanded by 99bps Y/Y to 15.9%. While OPEX remained broadly stable, the meaningful improvement in gross profit largely flowed through to the operating line. The limited rise in OPEX despite continued investment in growth businesses highlights the company's ability to extract operating leverage.

AJBC view and valuation: 2P reported broadly in-line Q2-26 result with earnings growth driven by improved operating profitability despite softer than expected top-line. Revenue growth was aided by Call Center, Managed Services and Cybersecurity, while lag in Others segment resulted in revenues miss versus our estimates. A favorable revenue mix and disciplined cost management drove 92bps and 99bps Y/Y expansion in gross and operating margins enabling operating profit to outpace revenue growth. A healthy backlog conversion and growth in recurring ICT services to support earnings, although moderating new contract wins, pricing pressure and elevated working capital are likely to limit near-term earnings growth. Trading at FY26e P/E of 14.0x, we maintain our "**Neutral**" rating and **SAR 7.7/share**.

Results Summary

SAR mn	Q2-25	Q1-26	Q2-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	298	330	316	5.7%	-4.4%	-7.9%
Gross Profit	62	69	69	10.4%	-0.6%	0.0%
Gross Margin	20.8%	20.9%	21.7%	-	-	-
EBIT	44	45	50	12.8%	10.6%	6.1%
Net Profit	35	33	37	4.3%	10.5%	3.7%
EPS	0.12	0.11	0.12	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	**Neutral**
Target Price (SAR)	**7.7**
Upside / (Downside)*	**16.7%**

Source: Tadawul *prices as of 5th of August 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenue	1,130	1,071	1,237
Growth %	21.8%	-5.2%	15.5%
Gross Profit	210	251	281
Opt. Profit	174	213	188
Net Profit	129	163	134
Growth %	-1.6%	26.3%	-17.8%
EPS	0.4	0.5	0.4
DPS	0.0	0.0	0.0

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	18.6%	23.4%	22.7%
Opt. Margin	15.4%	19.9%	15.2%
Net Margin	11.4%	15.3%	10.8%
P/E (x)	28.1	25.3	27.5
P/B (x)	9.5	7.6	5.5
EV/EBITDA (x)	21.8	20.3	21.4
Div Yield (%)	0.0%	0.0%	0.0%

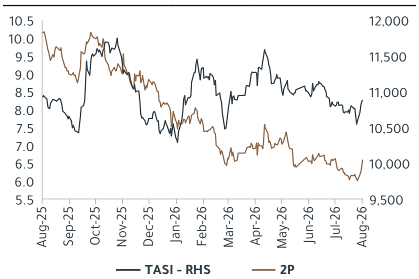
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	2.2
YTD%	-14.1%
52 week (High)/(Low)	10.3/5.9
Share Outstanding (mn)	330.0

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.

Disclaimer