Arabian Internet and Communications Services Co.

Results Flash Note Q2-26

الجزيرة كابيتال
aljazira capital

Strong Operating Performance Offset by FX-Related Losses

Solutions posted a net profit of SAR 453mn in Q2-26, reflecting a modest 1.6% Y/Y increase while rising 22.4% Q/Q. Despite healthy revenue growth of 11.6% Y/Y and a 172 bps expansion in gross margins to 24.3%, earnings growth remained subdued due to foreign exchange-related losses recorded below the operating line. Operational performance remained robust, with revenue, gross profit and operating profit all exceeding our expectations, supported by accelerated project execution and a favorable project mix. Overall, the results were broadly in line with our expectations, with net profit coming 1.0% above our estimate and 7.3% ahead of consensus.

- **Solutions posted a net profit** of SAR 453mn in Q2-26, reflecting a modest 1.6% Y/Y increase while rising 22.4% sequentially. Despite a healthy 11.6% Y/Y topline growth and a 172 bps Y/Y expansion in gross margins to 24.3%, net profit growth remained muted due to less favorable below operating line items. During the quarter, the company recorded net other expenses of SAR 27mn, primarily due to an exchange loss on a foreign entity, compared to other income of SAR 16.2mn in the same period last year. Overall performance remained in line with our expectations, with net profit coming in 1.0% above our estimate of SAR 449mn and 7.3% ahead of the consensus forecast of SAR 422.0mn.
- **Revenues** increased by 11.6% Y/Y (+7.9% Q/Q) to SAR 3,240mn in Q2-26, exceeding our estimate of SAR 3,080mn by 5.2%. The topline growth was primarily driven by the accelerated execution of projects secured during 2025 and early 2026. In addition, we believe that the early completion of certain project milestones also supported revenue growth. In terms of customer-wise revenue contribution, around c.53% of the topline growth came from the private sector, which recorded a 28% Y/Y increase, followed by stc with 15% Y/Y growth, while government revenue growth decelerated to 2% Y/Y owing to a higher base effect from last year.
- **Gross profit** increased by 20.1% Y/Y to SAR 788mn in Q2-26 (+23.5% versus our estimate of SAR 638mn). During the quarter, Solutions' gross margin expanded by 172 bps Y/Y (+480 bps Q/Q) to 24.3%, primarily driven by the early delivery of project milestones and a favorable project mix. We expect gross margins to normalize in the coming quarters as the company begins to incur milestone-related costs.
- **Operating profit** increased by 13.5% Y/Y and 26.8% Q/Q to SAR 506mn in Q2-26 while operating margin stood at 15.6%, improving by 233 bps sequentially while remaining flat Y/Y. On the other hand OPEX-to-sales increased by 147 bps Y/Y to 8.7%, primarily due to a 19.9% and 67.0% Y/Y increase in general & administrative and selling & distribution expenses, respectively, during the quarter.

AJBC view and valuation: Overall, the quarter remained broadly in line with our expectations, with stronger-than-expected gross and operating profitability offset by weaker below-the-operating-line items. While we expect Solutions' gross margins to normalize over the coming quarters as milestone-related costs are recognized, we remain positive on the company's medium-term outlook, supported by its strong execution capabilities and healthy project pipeline. Moreover, the recent c.17% correction in the share price over the last six months, coupled with the stock currently trading at an attractive FY27E P/E of 12.5x, provides a compelling entry point. Accordingly, we reiterate our "**Overweight**" rating on the stock with a target price of **SAR 254.0/share**.

Results Summary

SAR mn	Q2-25	Q1-26	Q2-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	2,902	3,002	3,240	11.6%	7.9%	5.2%
Gross Profit	656	586	788	20.1%	34.5%	23.5%
Gross Margin	22.6%	19.5%	24.3%	-	-	-
EBITDA	521	492	597	14.6%	21.4%	24.9%
Operating Profit	446	399	506	13.5%	26.8%	31.3%
Net Profit	446	370	453	1.6%	22.4%	1.0%
EPS	**3.72**	**3.08**	**3.78**	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	**Overweight**
Target Price (SAR)	**254.0**
Upside / (Downside)*	**27.1%**

Source: Tadawul *prices as of 28th July, 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenue	11,040	12,064	12,730
Growth %	25.4%	9.3%	5.5%
Gross Profit	2,598	2,783	2,678
EBIT	1,387	1,661	1,641
Net Profit	1,195	1,603	1,512
Growth %	13.4%	34.1%	-5.6%
EPS	9.9	13.3	12.5
DPS	6.0	10.0	8.0

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	23.5%	23.1%	21.0%
EBIT Margin	12.6%	13.8%	12.9%
Net Margin	10.8%	13.2%	11.8%
P/E (x)	35.2	20.3	18.0
P/B (x)	12.5	8.0	6.2
EV/EBITDA (x)	25.6	17.0	14.0
Div Yield (%)	1.7%	3.7%	3.6%

Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	25.0
YTD%	-11.2%
52 week (High)/(Low)	271.6/170.1
Share Outstanding (mn)	120

Source: Company reports, Aljazira Capital Research

Price Performance

Source: Tadwaul, Aljazira Capital Research

Senior Equity Analyst
Abdullah Umer
+966 54 796 3867
a.umer@aljaziracapital.com.sa

الجزيرة كابيتال
aljazira capital

RESEARCH DIVISION

Director - Head of Sell-Side Research
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

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