

Target Price: SAR28.0/share
Current Price: SAR21.62/share
Upside: +29.7%
Rating: Overweight

Saudi Azm for Communication and Information Technology Company (Azm)

Solid backlog & PPPs drive growth, revise TP to SAR28/sh

- Expect mid-teen to low-double digit revenue growth in FY26-FY28, driven by strong backlog, consistent contract wins and PPPs impact.
- Expect further expansions in GPM, aided by a selective tendering approach and scalability, leading to bottom line CAGR of 31.2% over FY25-28
- Post updating our estimates and rolling forward, we raise our TP to SAR28/share based on an average P/E and DCF methods, with an “Overweight” rating on the stock.

Stable backlog provides healthy visibility in the short run... Azm’s backlog stayed at SAR350mn as of Dec-25, largely stable with Mar-24 level (~SAR347mn) despite recording ~SAR461mn of cumulative revenues between Jun-24 and Dec-25. This was aided by consistent new contract wins by Azm (~SAR294mn as announced on Tadawul, SAR136mn in 2025) during the same period, with an average duration of 1.5-2 years. Notably, most of those contracts were signed with government entities such as the [Digital Government Authority](#) (value exceeding SAR21.8mn), [Monsha’at](#) (+SAR25.6mn), and the [Ministry of Justice](#) (+SAR32.7mn). While this might raise the risk of revenue concentration in the public sector, we view this as a good signal of Azm’ growing competitiveness in the tough tendering market against big players. Moreover, this gives Azm a window for potential contract renewal with the relevant parties in the future, being the primary partner in the current contracts and agreements. We note that some long-term contracts are excluded from the backlog, and AZM also earns non-backlog revenue from other services and commission-based streams, like public-private-partnerships.

...while strategic PPPs transforms the company on the mid-long run: The company is advancing several Public-Private Partnership projects (PPP), including Infath and Sekaya, where it will generate returns through profit-sharing arrangements tied to each project’s performance. As some of these initiatives begin operations in the coming years (likely by FY27e), they are expected to strengthen the company’s financial results. This recognition is anticipated to support business growth, diversify revenue streams, and deepen productive partnerships with government entities while enabling the company to pursue further PPP opportunities.

Figure 1: Key financial metrics

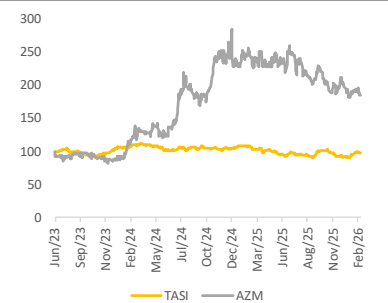
SARmn	FY25a	FY26e	FY27e	FY28e
Revenue	253.2	297.0	366.1	455.9
Revenue growth	16%	17%	23%	25%
Gross Profit	73.4	94.0	117.2	147.3
Gross Profit margin	29.0%	31.7%	32.0%	32.3%
EBITDA	36.5	46.6	62.3	82.8
Op. income	32.3	45.0	60.1	79.7
Net profit*	37.4	48.8	64.2	84.6
Net profit growth	34.0%	30.3%	31.6%	31.7%
Net profit margin	15%	17%	18%	19%
EPS (SAR)	0.6	0.8	1.1	1.4
P/E	34.6x	26.6x	20.2x	15.3x
EV/EBITDA	32.8x	25.7x	19.2x	14.5x

Source: Company data, GIB Capital. * Attributable to equity shareholders. Financial Years: ending in June.

Stock data	
TASI ticker	7211
Mcap (SARmn)	1,300
Avg. Trd. Val (3m) (SARmn)	3.1
Free float	53.9%
QFI holding	2.3%
TASI FF weight	0.03%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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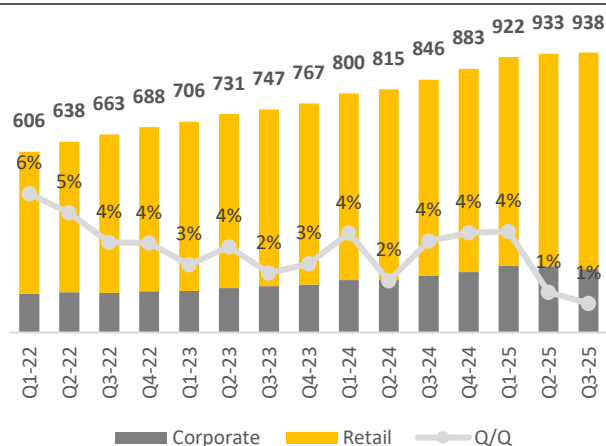
Additionally, the company has secured the highest-level Digital Government qualification (Revenue-Sharing Model – Category A) from the Digital Government Authority, confirming its readiness to participate in major public-sector tenders and its compliance with regulatory and governance standards. In this regard, Infath project alone is expected to transform Azm’s scale by 2QFY2027e, driven by its business model and market size. While Infath is expected to manage auction sales in KSA in one unified platform, the auction sales reached SAR21bn in country last year. We anticipate that the market size is likely to grow further in the following years, and we expect Azm to greatly benefit from the project given in terms of percentage of the transaction’s values. We conservatively expect an incremental revenue benefit of ~SAR20.5mn in FY27 (taking into consideration an impact on 2H27 only) and ~SAR45mn FY28. Consequently, we expect Azm total revenues to grow by 17.3% y/y (guidance: 15-20%) to ~SAR297mn in FY26 and to reach SAR456mn by FY28, reflecting a CAGR of 21.7% over FY25-28.

Margin expansion to support earnings visibility: Azm continued to deliver margin expansion, with gross margin rising to 32% in 1H26 (+4pps y/y), aided by more selective contract bidding, improved cost efficiency, and increasing scalability across projects. We expect this trend to persist, forecasting an average GP margin of 32% over FY26–28 (vs. 29% in FY25), alongside a similar upward trajectory in operating margins, which we estimate to average around 16.3% over the same period compared to 12.8% in FY25.

Meanwhile, profit from associates (SAR0.5mn losses in 1HFY26) is likely to improve in the coming periods driven by expected better performance from “Entropy” company (via scalability) and “Aqarek” company (as real estate activities strengthens). As a result, we expect Azm’s bottom-line to reach SAR48.8mn (+30% y/y, Guidance:25-30%) in FY26 and grow consistently to SAR84.6mn by FY28, yielding a CAGR of 31.2% over FY25-28.

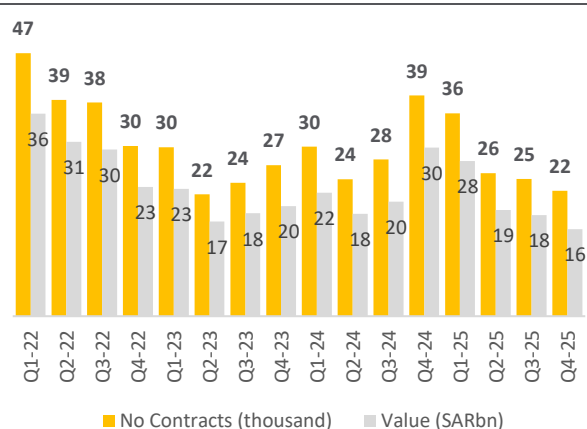
Wasl’s partnership with NHC provides an upside catalyst for Azm: Azm signed a partnership agreement in early May 2025 with the National Housing Co. (NHC) to establish Wasl Platform, a jointly owned entity focused on digital services and financial brokerage. Wasl will build and operate the partnership’s digital platform, offering technology and fintech solutions to improve user experience and broaden access to secure, efficient financing. Regulatory approval from SAMA is still pending but is expected in 2026, with operations likely to begin in 2027. Although Wasl, driven by initial operating costs, is projected to incur losses in its first year, its business model appears attractive for Azm. The model is expected to generate brokerage fees for every transaction facilitated by Wasl (which we believe to be 1% at least of the value of each contract), in addition to a profit-sharing arrangement for other business lines. Success will depend heavily on cooperation and integration with local banks. Early indications suggest strong potential for alignment, as the model effectively redirects banks’ customer-acquisition costs into Wasl’s platform—an approach that seems both feasible and appealing to lenders. Overall, Wasl represents a significant milestone in AZM’s growth trajectory and is poised to become a key driver of value in the coming years.

Figure 2: Total mortgage loans value development in KSA (SARbn)



Source: SAMA, Argaam GIB Capital

Figure 3: Residential new mortgage finance for individuals provided by banks



Source: SAMA, GIB Capital

Based on a base case of a monthly average of SAR6bn in new mortgages, Wasl's potential markets, which exclusively cover the new mortgages, could reach SAR72bn per annum. Assuming a market share of 5% and a broker fees of 1% of mortgage value, this could reflect a SAR18mn annual revenue for Azm. We highlight that the demand for residential real estate is at a low point due to the recent regulatory updates and government policies. However, a market revival, driven by factors such as lower interest rates, population growth, or foreign ownership, could lead to even higher mortgage demand. Additionally, the partnership between NHC and Wasl could indicate that Wasl could handle at least a considerable volume from the NHC supply, which is likely to secure a decent market share for Wasl. On the other hand, factors like relative market saturation ([Saudi homeownership exceeded 66% in 2025](#)) could drive lower mortgage additions. Accordingly, our sensitivity analysis indicates a low-case scenario of SAR6.7mn/annum as revenues for Azm, with an upper end at SAR30.7mn.

Figure 4: Sensitivity of the potential benefits for Azm via Wasl (SAR mn)

		Market exposure %				
		2.0%	3.5%	5.0%	6.5%	8.0%
*New mortgages value	5,600	6.7	11.8	16.8	21.8	26.9
	5,800	7.0	12.2	17.4	22.6	27.8
	6,000	7.2	12.6	18.0	23.4	28.8
	6,200	7.4	13.0	18.6	24.2	29.8
	6,400	7.7	13.4	19.2	25.0	30.7

Source: GIB Capital. * Monthly average (in SAR bn)

Strategic expansion likely through the acquisition of AZM FinTech – another upside catalyst:

AZM signed an MoU (in Mar 2023) to fully acquire AZM FinTech along with its subsidiary (was subsequently renewed), which however, is expected to be finalized soon. The deal is likely to be carried out via a stock swap transaction, indicating a capital increase by Azm. Nonetheless, this deal is likely to add value to Azm, as the targeted company has a similar business model, indicating potential synergies, despite the relatively smaller size compared to Azm. However, we don't incorporate the targeted company in our forecasts now, awaiting deal confirmation.

Recap of 2Q26 results: Azm's revenue grew ~17% y/y to reach SAR74.7mn in 2QFY26 (ending in December 2025), in line with our estimates, driven by new contract wins and recognition of existing backlog. Meanwhile, the gross profit jumped by 33.5% y/y, reaching SAR22mn, largely in line with our estimate (+5% deviation), driven by a better-than-expected gross margin of 29.5% (25.8% in 2QFY25, 28.5% estimated by GIBC), likely due to a more favorable revenue mix. Moreover, operating profit grew strongly by 60% y/y to SAR9.89mn, beating our estimates by 30%, as cost efficiencies lifted the operating margin to 13.2% compared with 11.3% last year and 10.3% projected. Overall, the net profit came in at SAR9.7mn (+34% y/y), slightly beating our estimates by 7%, with a net margin of 13% (12.3% estimated by GIBC). The bottom line converged to our estimates despite the big beat in the operating level, due to losses from associates (-SAR0.6mn).

Figure 5: 2Q26 results (the period ending in December 2025)

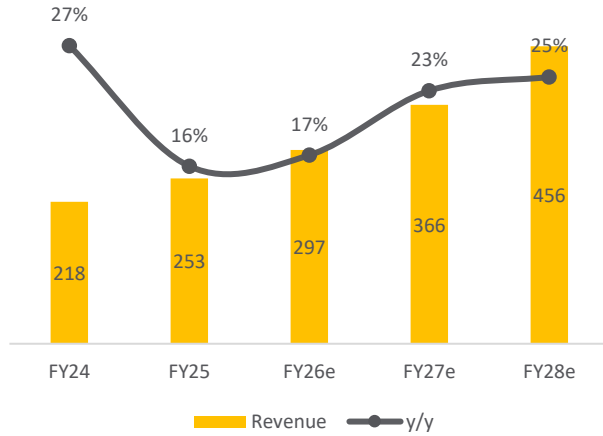
SARmn	2Q26	2Q25	y/y %	1Q26	q/q %	GIBC est.	Variance %
Revenues	74.7	64.0	16.8%	70.0	6.7%	74	1.2%
Cost of sales	52.6	47.4	10.9%	45.2	16.4%	53	-0.2%
Gross profit	22.0	16.5	33.5%	24.8	-11.0%	21	4.8%
Opex	12.1	10.3	17.6%	12.6	-4.0%	13	-9.5%
Operating profit	9.9	6.2	60.3%	12.1	-18.3%	8	30.2%
Net income	9.7	7.2	34.5%	14.1	-30.8%	9	7.0%
Margins							
Gross margin	29.5%	25.8%		35.4%		28.5%	
Operating margin	13.2%	9.7%		17.3%		10.3%	
Net margin	13.0%	11.3%		20.1%		12.3%	

Source: Company data, GIB Capital.

Valuation and Risks: We use an equal mix of DCF (WACC=9.9%) and P/E-based valuation (multiple of 24x, on average FY26-FY27) methods for valuing the company. Accordingly, we derive a blended TP of **SAR28.0/share**, indicating an **“Overweight”** rating with a 29.7% upside potential. Being a technology-driven company, the major risk is failure to keep up with technological changes in the sector. Lack of diversity in clientele, ability to maintain talent, execution risks leading to inability to bid for future projects, increase in competition, and unfavorable changes in regulations are some of the risks.

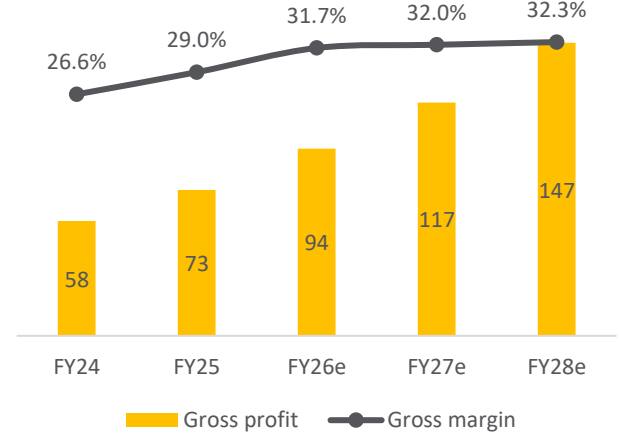
Financial analysis in charts

Figure 6: Revenue trend (SARmn)



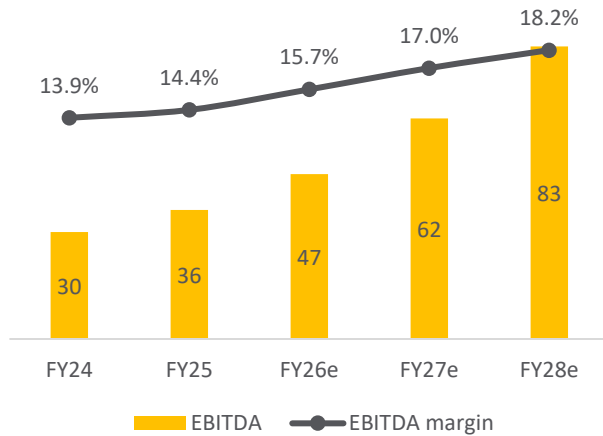
Source: Company data, GIB Capital

Figure 7: Gross profit and gross margin trend (SARmn)



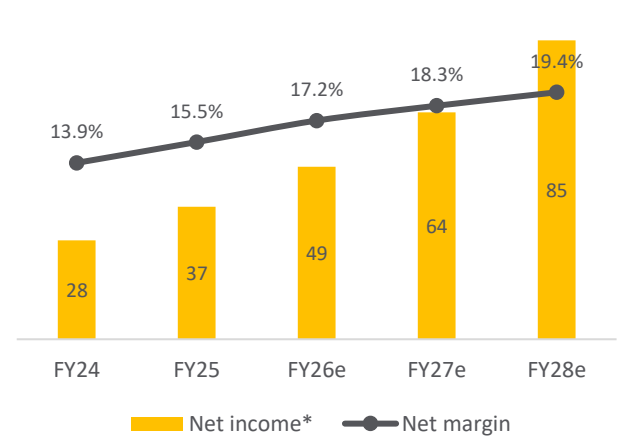
Source: Company data, GIB Capital

Figure 8: EBITDA and EBITDA margin trend (SARmn)



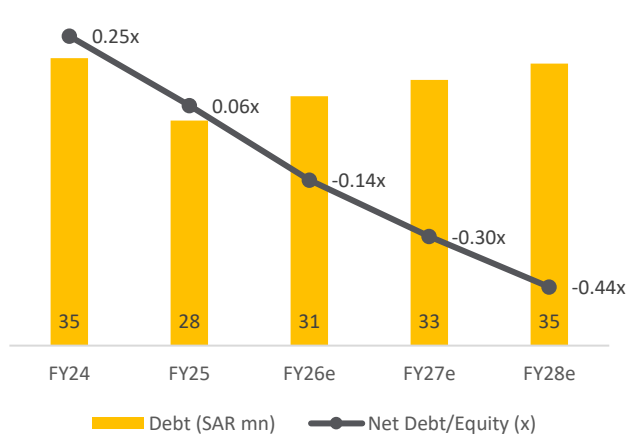
Source: Company data, GIB Capital

Figure 9: Net income trend (SARmn)*



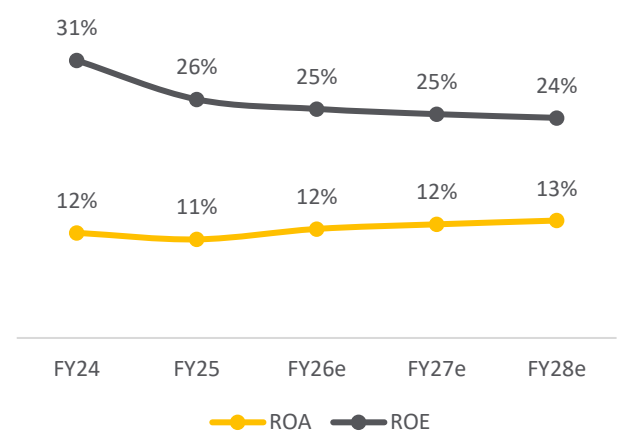
Source: Company data, GIB Capital

Figure 10: Leverage trend (SARmn)



Source: Company data, GIB Capital* attributable to equity holders

Figure 11: ROA and ROE



Source: Company data, GIB Capital

Financials

Figure 12: Summarized basic financial statements (SARmn)

Income statement	FY24a	FY25a	FY26e	FY27e	FY28e
Revenue	217.6	253.2	297.0	366.1	455.9
y/y growth	27.4%	16.3%	17.3%	23.3%	24.5%
Cost of Services/Goods	(159.8)	(179.8)	(203.0)	(248.9)	(308.6)
Gross Profit	57.8	73.4	94.0	117.2	147.3
Gross Margin	26.6%	29.0%	31.7%	32.0%	32.3%
Selling and Marketing	(1.1)	(1.0)	(1.3)	(1.5)	(1.5)
General and Administrative	(28.2)	(38.5)	(46.5)	(53.5)	(63.4)
Operating Profit	27.7	32.3	45.0	60.1	79.7
Operating margin	12.7%	12.8%	15.2%	16.4%	17.5%
Finance Cost	(1.5)	(2.8)	(2.3)	(2.0)	(2.0)
Share of profit from investment in an associate	2.0	2.5	0.1	1.2	1.3
Other revenue	5.1	9.0	10.3	11.0	13.7
Profit Before Tax and Zakat	33.2	41.0	53.2	70.3	92.6
Tax and Zakat	(3.1)	(1.8)	(2.2)	(3.2)	(4.2)
Profit After Tax	30.2	39.2	51.0	67.2	88.4
Non-controlling interest	(2.2)	(1.8)	(2.2)	(2.9)	(3.9)
Profit available to equity holders	27.9	37.4	48.8	64.2	84.6
y/y growth	21.1%	34.0%	30.3%	31.6%	31.7%
Net margin	12.8%	14.8%	16.4%	17.5%	18.6%
EPS	0.5	0.6	0.8	1.1	1.4
DPS	0.0	0.0	0.0	0.0	0.0
Dividend Payout	0.0%	0.0%	0.0%	0.0%	0.0%

Balance Sheet	FY24a	FY25a	FY26e	FY27e	FY28e
Account Receivables	34.4	54.8	52.9	71.2	89.9
Other Current Assets	123.0	181.6	212.6	240.1	275.4
Cash and Equivalents	12.0	18.6	58.3	110.5	187.7
Total Current Assets	169.4	273.4	323.7	421.9	553.0
Total Non-Current Assets	72.3	71.8	83.2	91.9	101.7
Total Assets	241.7	345.3	406.9	513.8	654.8
Current Liabilities	124.6	177.5	185.4	222.5	271.7
Non-current Liabilities	25.5	25.1	27.8	30.5	33.8
Equity	91.5	142.6	193.7	260.8	349.3
Total Equity and Liabilities	241.7	345.3	406.9	513.8	654.8
BVPS	1.5	2.4	3.2	4.3	5.8

Cashflow	FY24a	FY25a	FY26e	FY27e	FY28e
Cashflow from Operations	1.6	108.9	38.5	65.1	91.8
Cashflow from Investing	(4.9)	(88.8)	(1.8)	(14.8)	(16.6)
Cashflow from Financing	(12.4)	(13.5)	3.0	2.0	2.0
Total Cashflows	(15.6)	6.6	39.7	52.2	77.2

Source: Company, GIB Capital. June-ended

Figure 13: Key ratios

Key ratios	FY24a	FY25a	FY26e	FY27e	FY28e
Profitability ratios					
RoA	11.6%	10.8%	12.0%	12.5%	12.9%
RoE	30.5%	26.2%	25.2%	24.6%	24.2%
Net margin	12.8%	14.8%	16.4%	17.5%	18.6%
Liquidity ratios					
Current Assets/ Current Liabilities	1.4	1.5	1.7	1.9	2.0
Receivable Days	58	79	65	71	72
Payable days	51	42	46	46	46
Cash conversion cycle	6	37	19	25	26
Debt ratios					
Net Debt/EBITDA (w/ IFRS liab.)	0.7x	0.2x	-0.6x	-1.2x	-1.8x
Debt/Assets (w/ IFRS liab.)	0.1x	0.1x	0.1x	0.1x	0.1x
Net Debt/Equity (w/ IFRS liab.)	0.3x	0.1x	-0.1x	-0.3x	-0.4x
Valuation ratios					
P/E	46.4	34.6	26.6	20.2	15.3
P/B	14.2	9.1	6.7	5.0	3.7
EV/EBITDA	39.6	32.8	25.7	19.2	14.5
FCF yield	-0.6%	5.8%	1.2%	0.0%	0.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, GIB Capital. June-ended

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