GIB CAPITAL جي آي بي كابيتال

**Target Price: SAR6.9/share**
Current Price: SAR5.67/share
Upside: 21.0% (+6.5% div yield)
**Rating: Overweight**

# Saudi Manpower Solutions Co. (SMASCO)

## *Sustained growth with rising margins; TP lifted to SAR6.9/sh*

- Broad-based growth across corporate and individuals segments is likely to drive a top-line CAGR of 7.2% over 2025-28e on healthy demand from key sectors and client retention.
- Earnings are expected to grow at a CAGR of 15.5% over 2025–28e, aided by gradual margin improvement in the individuals segment even as corporate-segment pressure persists.
- We set our 1Y fwd TP to SAR6.9/sh, based on equal weightage valuation using DCF and P/E valuation approaches and maintaining Overweight rating.

**Healthy revenue growth backed by structural demand drivers:** SMASCO delivered a robust 11.4% revenue growth in 1H26. Corporate remains the primary revenue driver, growing 10.7% y/y and contributing ~65% of revenue with Oil & Gas, Petrochemicals and Construction accounting for 21% and 22% of segment revenues, respectively. Construction led the Corporate segment growth, surging 62% y/y on rising sector demand. Meanwhile, the Individuals segment grew 17.5% y/y, lifting its contribution to ~32% of total revenue from 30.6% in 1H25, supported by strong 24.3% y/y growth in hourly services in 1H26. More broadly, demand for manpower services remains robust, particularly across Individuals, Construction, Hospitality, and Health care sectors. Against a competitive backdrop, client retention remains a key focus, with SMASCO emphasizing a diversified sector portfolio to reduce concentration risk and support more sustainable growth. Looking ahead, we expect continued momentum across both corporate and individuals segments, underpinned by the continued execution of major projects in Saudi Arabia. Accordingly, we expect SMASCO's workforce expansion to translate into a 7.2% revenue CAGR over 2025–28e, with total headcount growing at a 3.7% CAGR over the period.

**Gross margin expands on stronger Individuals mix, supporting earnings growth:** SMASCO's gross profit margin increased 1.3ppts y/y to 14.8% in 1H26, with GP growing 22.2% y/y and materially outpacing revenue growth. The improvement was primarily driven by the Individuals segment, where gross profit jumped 44.0% y/y, rising segment GPM to 18.5% in 1H26 from 15.2% last year, supported by stronger demand, balanced supply, and ongoing initiatives to enhance margins through portfolio diversification.

| Stock data | |
|---|---|
| TASI ticker | 1834 |
| Mcap (SARmn) | 2,268 |
| Trd. Val (3m) (SARmn) | 10.5 |
| Free float | 52.1% |
| QFI holding | 12.4% |
| TASI FF weight | 0.05% |

*Source: Bloomberg*

Prices indexed to 100


*Source: Bloomberg*

*Figure 1: Key financial metrics*

| SARmn | 2024a | 2025a | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| **Revenue** | **1,893** | **2,095** | **2,339** | **2,476** | **2,583** |
| *Revenue growth* | *4%* | *11%* | *12%* | *6%* | *4%* |
| **Gross Profit** | **211** | **298** | **357** | **385** | **405** |
| *Gross profit margin* | *11.1%* | *14.2%* | *15.3%* | *15.5%* | *15.7%* |
| **Operating Profit** | **132** | **175** | **214** | **233** | **246** |
| *Operating profit margin* | *7.0%* | *8.3%* | *9.1%* | *9.4%* | *9.5%* |
| **Net profit** | **126** | **151** | **198** | **217** | **232** |
| *Net profit growth* | *-24.0%* | *19.2%* | *31.3%* | *9.5%* | *7.2%* |
| *Net profit margin* | *6.7%* | *7.2%* | *8.5%* | *8.7%* | *9.0%* |
| EPS (SAR) | 0.3 | 0.4 | 0.5 | 0.5 | 0.6 |
| DPS (SAR) | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| P/E | 17.9x | 15.1x | 11.5x | 10.5x | 9.8x |
| EV/EBITDA | 12.2x | 9.9x | 8.5x | 7.8x | 7.4x |

*Source: Company, GIB Capital*

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Meanwhile, gross profit margin in the corporate segment remained relatively stable under competition pressure at around 11%. Looking ahead, we expect the overall GP margin to improve gradually to 15.3% in 2026e and stabilize at ~15.7% by 2028e, driven primarily by the increasing contribution of the Individuals segment and continued margin expansion within the segment. Further gains in operational efficiency and profitability should provide incremental support to operating margins over the forecast period. Meanwhile, SMASCO aims to reduce startup-phase losses and achieve operating break-even in 2027e for its JV "Waed" with the expectation of contributing positively to the bottom line by 2028e. Overall, we expect earnings to grow at a 15.5% CAGR over 2025–28e.

**Recap of 2Q26 results:** SMASCO reported 2Q26 revenue of SAR571mn, up 11% y/y and in line with our estimate. This growth was primarily driven by solid growth across its core business segments. Revenue from the corporate segment increased 10.0% y/y, while Individuals grew 16.8% y/y, supported by a 22.5% y/y jump in hourly services. In addition, Logistics Services revenue also rose 11.9% y/y, whereas revenue from Other Services declined by 15.7% y/y, reflecting normal fluctuations in the Company's smaller business segments. Meanwhile, gross profit increased 21.5% y/y to SAR81mn (in line), outpacing revenue growth. As a result, gross margin expanded to 14.2% (+1.2ppts y/y), supported by increased contribution and improved profitability from the Individuals segment. Moreover, operating profit also rose 35.3% y/y to SAR48mn, benefiting from top-line growth and stronger gross margins. These gains came despite higher SG&A expenses and higher allowances for expected credit losses. Consequently, net profit increased 51% y/y to SAR45mn, largely in line with our SAR47mn estimate. Net profit margin expanded to 7.8% from 5.7% in 2Q25, driven by stronger operating profitability, improved segment mix and a 53% y/y increase in other income, offsetting losses from the investment in Waad Khadmat Al Munzal.

*Figure 2: 2Q26 results summary*

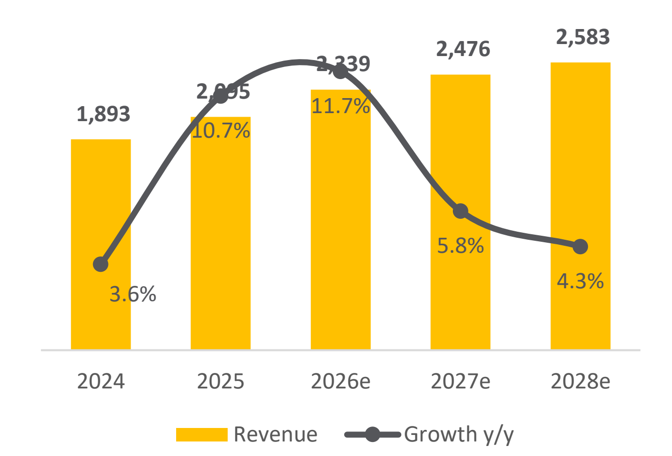
| SARmn | 2Q26 | 2Q25 | y/y % | 1Q26 | q/q % | GIBC est. | Variance % |
|---|---|---|---|---|---|---|---|
| **Revenues** | **571** | **514** | **11.1%** | **557** | **2.5%** | **563** | **1.4%** |
| Cost of sales | 490 | 447 | 9.5% | 472 | 3.9% | 481 | 1.8% |
| **Gross profit** | **81** | **67** | **21.5%** | **85** | **-5.2%** | **82** | **-1.3%** |
| Opex | 33 | 31 | 5.6% | 34 | -4.2% | 32 | 3.1% |
| **Operating profit** | **48** | **36** | **35.3%** | **51** | **-5.9%** | **50** | **-4.1%** |
| **Net income** | **45** | **30** | **51.1%** | **49** | **-8.2%** | **47** | **-4.9%** |
| | | | | | | | |
| **Margins** | | | | | | | |
| Gross margin | 14.2% | 13.0% | | 15.3% | | 14.6% | |
| Operating margin | 8.4% | 6.9% | | 9.2% | | 8.9% | |
| Net margin | 7.8% | 5.7% | | 8.7% | | 8.3% | |

*Source: Company data, GIB Capital*

**Valuation and risks:** We remain positive on SMASCO, underpinned by i) broad-based top-line growth with strong momentum in construction and hourly services, ii) a gradual margin improvement and Waed turning profitable by 2028e, iii) a debt-free balance sheet providing ample financial flexibility to support expansion, and iv) an attractive dividend yield of 6.5–7.2% for 2026–27e. Post revision in our estimates and rolling forward the valuation, we set our 1Y forward TP to SAR6.9/sh. Based on an equal blend of DCF and P/E (12.0x on average 2026-27e EPS), implying an Overweight rating with 21.0% upside potential. The key downside risks are the cyclicality of the industry, high competition, regulatory changes resulting in higher cost of operation, price capping, and risk of receivables.

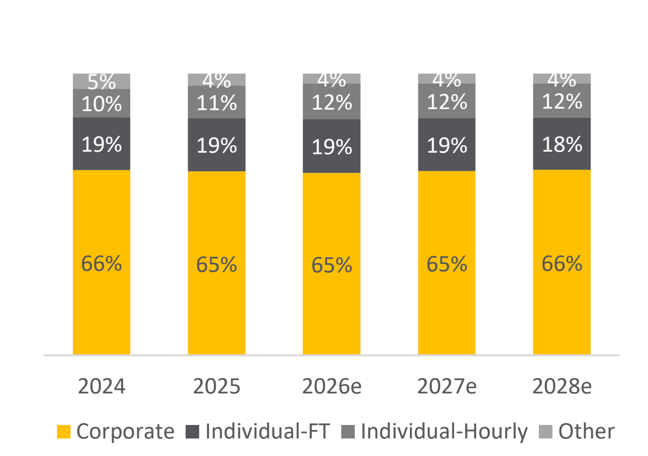
## Financial analysis in charts

*Figure 3: Revenue trend (SARmn)*



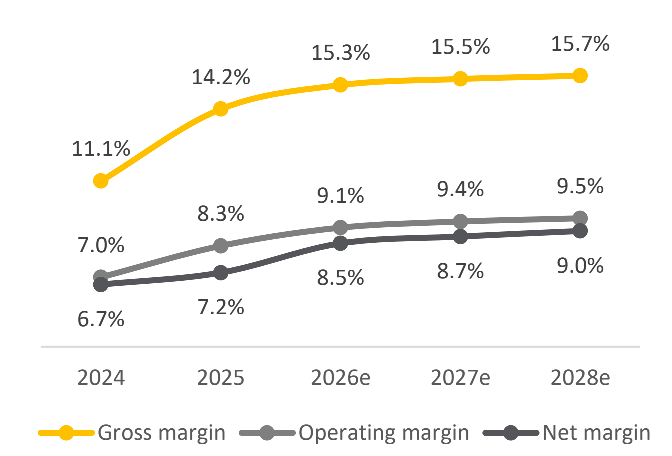

*Source: Company data, GIB Capital*

*Figure 4: Revenue mix*



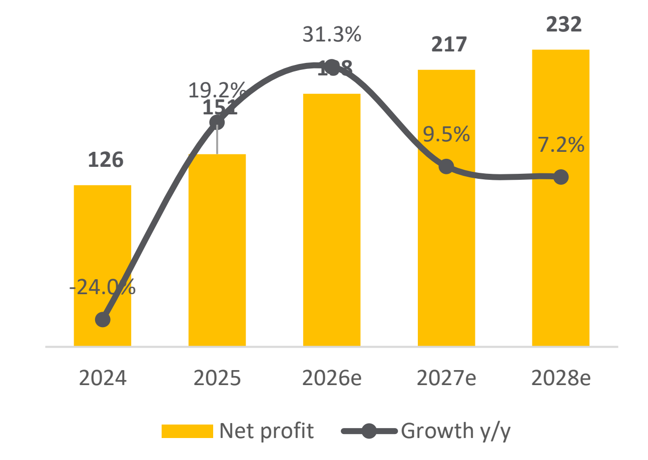

*Source: Company data, GIB Capital*

*Figure 5: Margins*



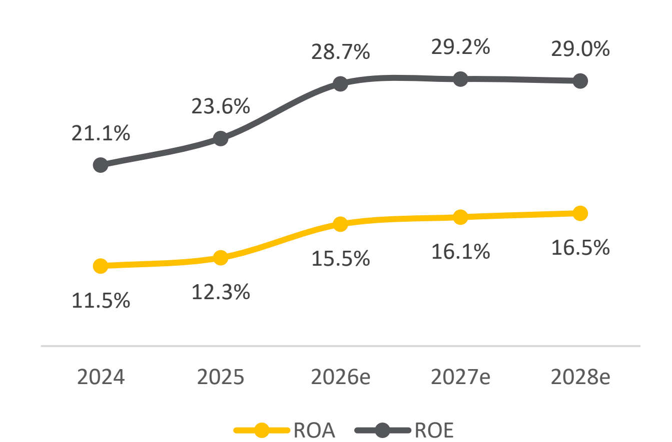

*Source: Company data, GIB Capital*

*Figure 6: Net profit (SARmn)*



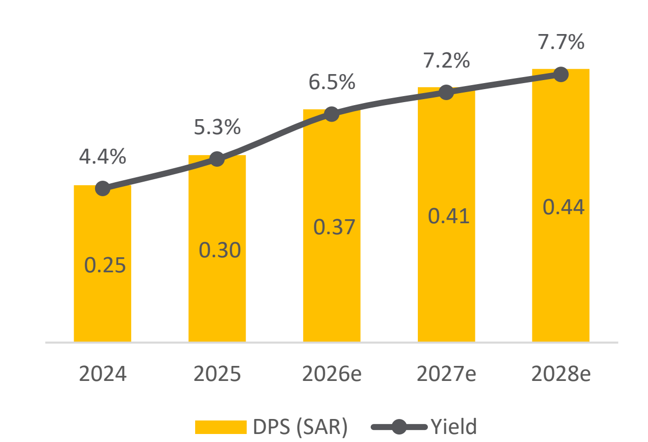

*Source: Company data, GIB Capital*

*Figure 7: ROA and ROE*




*Source: Company data, GIB Capital*

*Figure 8: Dividend (SAR)*




*Source: Company data, GIB Capital*

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## Financials

*Figure 9: Summarized basic financial statements (SARmn)*

| Income statement | 2024a | 2025a | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| **Revenue** | **1,893** | **2,095** | **2,339** | **2,476** | **2,583** |
| *revenue y/y* | *4%* | *11%* | *12%* | *6%* | *4%* |
| COGS | 1,682 | 1,796 | 1,982 | 2,091 | 2,178 |
| **Gross Profit** | **211** | **298** | **357** | **385** | **405** |
| *Gross Profit margin* | *11.1%* | *14.2%* | *15.3%* | *15.5%* | *15.7%* |
| Selling and distribution expenses | 19 | 23 | 30 | 31 | 33 |
| General and administrative expenses | 57 | 69 | 77 | 82 | 85 |
| ECL | 3 | 25 | 28 | 30 | 31 |
| Others | 0 | 6 | 9 | 9 | 10 |
| **Operating profit** | **132** | **175** | **214** | **233** | **246** |
| *Operating margin* | *7%* | *8%* | *9%* | *9%* | *10%* |
| Other income | 16 | 13 | 15 | 15 | 14 |
| Finance costs | 7 | 7 | 8 | 8 | 7 |
| Share in a joint venture | 0 | (15) | (7) | (3) | 1 |
| **PBT** | **142** | **166** | **214** | **237** | **254** |
| Zakat/tax | 16 | 15 | 16 | 20 | 22 |
| Loss/Profit from discontinued ops | 0 | 0 | 0 | 0 | 0 |
| **Net income** | **126** | **151** | **198** | **217** | **232** |
| *Net margin* | *7%* | *7%* | *8%* | *9%* | *9%* |
| *y/y* | *-24%* | *19%* | *31%* | *9%* | *7%* |
| **EPS** | **0.3** | **0.4** | **0.5** | **0.5** | **0.6** |
| DPS | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Payout | 79% | 79% | 75% | 75% | 75% |
| **EBITDA** | **174** | **213** | **251** | **272** | **287** |

| Balance Sheet | 2024a | 2025a | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| Trade receivables | 312 | 344 | 384 | 407 | 424 |
| Prepayments and other current assets | 111 | 125 | 140 | 148 | 155 |
| Cash and cash equivalents | 40 | 60 | 29 | 43 | 62 |
| Other current assets | 363 | 409 | 421 | 424 | 427 |
| **Total Current Assets** | **827** | **938** | **975** | **1,022** | **1,068** |
| Property and equipment | 167 | 182 | 199 | 218 | 236 |
| Right-of-use assets | 49 | 56 | 57 | 56 | 55 |
| Murabaha term deposit | 10 | 10 | 10 | 10 | 10 |
| Other non-current assets | 42 | 36 | 36 | 36 | 36 |
| **Total Non-Current Assets** | **269** | **284** | **302** | **319** | **337** |
| **Total Assets** | **1,095** | **1,222** | **1,277** | **1,341** | **1,405** |
| Current Liabilities | 304 | 379 | 380 | 387 | 390 |
| Non-current Liabilities | 191 | 204 | 208 | 211 | 215 |
| Equity | 600 | 639 | 688 | 742 | 801 |
| **Total Equity and Liabilities** | **1,095** | **1,222** | **1,277** | **1,341** | **1,405** |
| BVPS | 1.5 | 1.6 | 1.7 | 1.9 | 2.0 |

| Cashflow | 2024a | 2025a | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| Cashflow from Operations | 120 | 176 | 180 | 241 | 260 |
| Cashflow from Investing | (46) | (33) | (56) | (56) | (59) |
| Cashflow from Financing | (70) | (123) | (155) | (171) | (182) |
| **Total Cashflows** | **4** | **20** | **(31)** | **14** | **19** |

*Source: Company, GIB Capital*

*Figure 10: Key ratios*

| Key ratios | 2024a | 2025a | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| **Profitability ratios** | | | | | |
| RoA | 12% | 12% | 15% | 16% | 17% |
| RoE | 21% | 24% | 29% | 29% | 29% |
| Sales/Assets | 173% | 171% | 183% | 185% | 184% |
| Net margin | 7% | 7% | 8% | 9% | 9% |
| | | | | | |
| **Liquidity ratios** | | | | | |
| Current Assets/ Current Liabilities | 2.7 | 2.5 | 2.6 | 2.6 | 2.7 |
| Receivable Days | 60 | 60 | 60 | 60 | 60 |
| Payable days | 4 | 8 | 5 | 5 | 5 |
| Cash conversion cycle | 56 | 52 | 55 | 55 | 55 |
| | | | | | |
| **Debt ratios** | | | | | |
| Net Debt/EBITDA (w/ IFRS liab.) | 0.03 | -0.04 | 0.09 | 0.03 | -0.04 |
| Debt/Assets (w/o IFRS liab.) | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 |
| Net Debt/Equity (w/ IFRS liab.) | 0.01 | -0.01 | 0.03 | 0.01 | -0.02 |
| | | | | | |
| **Valuation ratios** | | | | | |
| P/E | 17.9 | 15.1 | 11.5 | 10.5 | 9.8 |
| P/B | 3.8 | 3.5 | 3.3 | 3.1 | 2.8 |
| EV/EBITDA | 12.2 | 9.9 | 8.5 | 7.8 | 7.4 |
| Dividend Yield | 4.4% | 5.3% | 6.5% | 7.2% | 7.7% |

*Source: Company, GIB Capital*

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