

Target Price: SAR6.1/share
Current Price: SAR5.6/share
Upside: 9.1% (+4.8% div yield)
Rating: Neutral

Saudi Manpower Solutions Co. (SMASCO)

Lower TP on slower topline growth amid margin pressure

- Topline growth likely to grow at a slower pace at a CAGR of 3.9% over 2024-29e on subdued demand from key sectors, mainly the oil & gas and petrochemicals sectors.
- Earnings are now expected to grow at a CAGR of 6.2% over 2024-29e (previously 10%), reflecting ongoing margin pressures and losses from the new established JV.
- Post revising our estimates and rolling forward the valuation, we lower our TP to SAR6.1/sh (previously SAR8.6/sh) based on equal mix of DCF and P/E, implying a Neutral rating.

Topline growth moderate on slower demand from key contributing sectors: SMASCO remains one of the leading manpower companies in Saudi Arabia, generating ~SAR1.9bn in annual revenue and holding a decent market share, broadly similar to Maharah and AlMawarid. However, SMASCO hasn't seen much growth over recent years, with revenue rising just 3.6% y/y in 2024 (13% in 1Q25), lagging peers that reported double-digit growth in 2024 and 1Q25. This underperformance is mainly due to softer demand in the oil & gas and petrochemicals sectors, which contributes the highest share to SMASCO (25% of corporate revenue). Given the softer demand in key sectors such as petrochemicals, SMASCO is shifting its focus to other areas like healthcare and retail, each currently contributing less than 10% of corporate revenue. This transition may result in slower workforce growth over the medium term. Consequently, we now expect SMASCO's total workforce to grow at a CAGR of 4.3% over 2024-29e (previously +7.6%), leading to a revised revenue CAGR of 3.9% over the same period (down from +8.9% earlier).

Margins pressure continues amid fierce competition in the corporate segment: SMASCO's GP margin declined to 11.1% in 2024 (13.3% in 2023) impacted by (i) price caps and workforce quotas in the individual segment, and (ii) intense price competition in the corporate segment. However, SMASCO saw a notable recovery in 1Q25, with GP margin rising to 14% from 12.5% in 1Q24, supported by strong Ramadan demand and easing of workforce quota. Given that 1Q is typically the strongest quarter, we expect performance to soften in 2Q25 due to 2 Eid holidays, and in 3Q25 also due to school holidays falling in these quarters. As a result, we expect GP margin to improve modestly to 11.9% in 2025 and stabilize at around ~11.8% during 2026-28e below the historical levels amid continued pricing pressure in the corporate segment (corporate: ~66% of total revenue). Further, we expect the company to continue incurring losses from the new JV (Waed) estimated to be around SAR14mn in 2025e. As a result, we expect net profit to grow at a CAGR of 6.2% over 2024-29e (10% earlier).

Figure 1: Key financial metrics

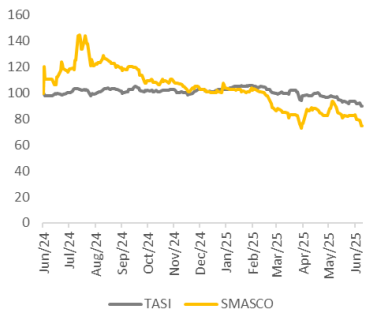
SARmn	2023a	2024a	2025e	2026e	2027e
Revenue	1,827	1,893	1,966	2,056	2,144
Revenue growth	-1%	4%	4%	5%	4%
Gross profit	243	211	235	243	254
Gross profit margin	13.3%	11.1%	11.9%	11.8%	11.8%
Operating profit	166	132	154	160	169
Net profit	166	126	135	141	152
Net profit margin	9.1%	6.7%	6.9%	6.9%	7.1%
EPS (SAR)	0.4	0.3	0.3	0.4	0.4
P/E	13.5x	17.7x	16.6x	15.9x	14.7x

Source: Company data, GIB Capital

Stock data	
TASI ticker	1834
Mcap (SARmn)	2,244
Trd. Val (3m) (SARmn)	13.8
Free float	52.2%
QFI holding	3.1%
TASI FF weight	0.06%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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Change in estimates: With the softer demand in key sectors such as petrochemicals, we conservatively expect lower growth in the workforce of 8% (vs 10% guidance) coupled with the expected decline average revenue per manpower due to increasing competition in the corporate segment, we revise our top-line estimates downwards by 9-14% and gross margin to 11.9% (13.3% earlier) for 2025-26e. Further, we expect the company to continue incurring losses from the new JV investment, leading to a 33-36% downward revision in our earnings forecast for 2025-26e.

Figure 2: Revision in estimates

SARmn	2025e			2026e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	1,966	2,170	-9%	2,056	2,386	-14%
Gross profit	235	290	-19%	243	320	-24%
GPM %	11.9%	13.3%		11.8%	13.4%	
Operating Profit	154	201	-23%	160	224	-28%
OPM %	7.8%	13.3%		7.8%	13.4%	
Net profit	135	200	-33%	141	222	-36%
NPM %	6.9%	9.2%		6.9%	9.3%	

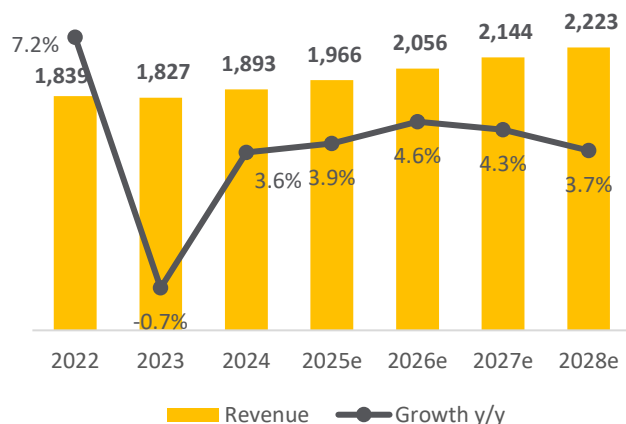
Source: GIB Capital

Valuation: Post revision in our estimates and rolling forward the valuation, we revise our 1Y forward TP to SAR6.1/sh. (SAR8.6 per share earlier) using an equal mix of DCF and P/E multiple valuation approaches, implying an upside of 9.1% with a Neutral rating. For relative valuations, we use a 16x multiple on average of 2025- 26e EPS to arrive at a P/E-based target price (1 year forward) of SAR6.1/share. As for DCF, based on a WACC of 10.5%, we derive SAR6.1/share as the DCF-based target price (1 year forward).

Risks: The key downside risks are the cyclical nature of the industry, high competition, regulatory changes resulting in higher cost of operation, price capping, and risk of receivables.

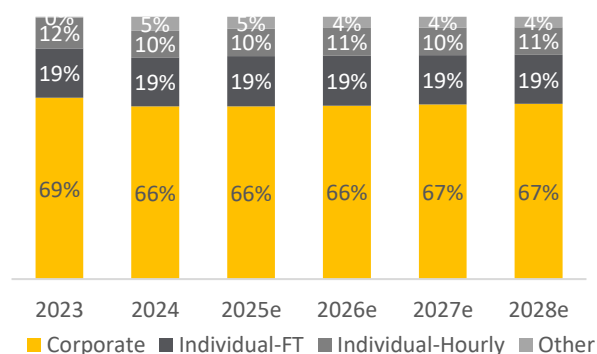
Financial analysis in charts

Figure 3: Revenue trend (SARmn)



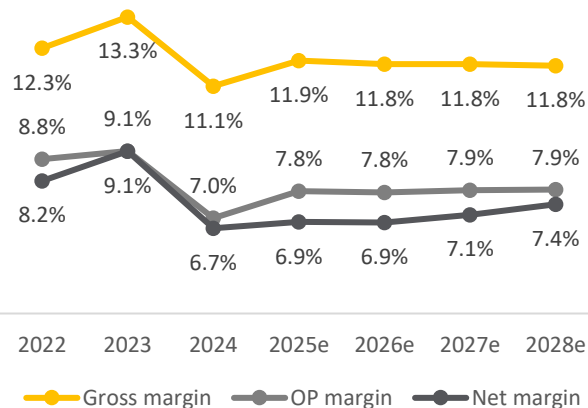
Source: Company data, GIB Capital

Figure 4: Revenue mix



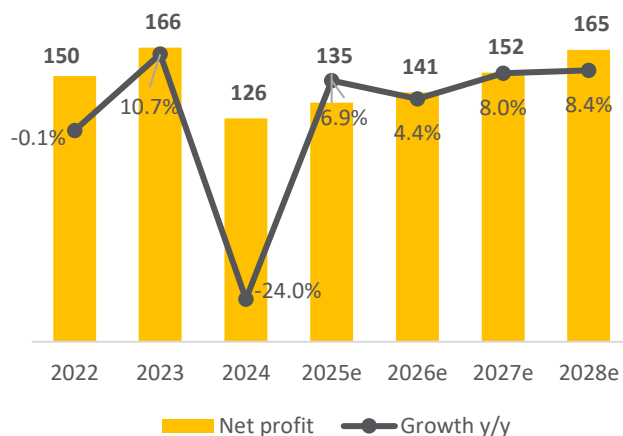
Source: Company data, GIB Capital

Figure 5: Margins



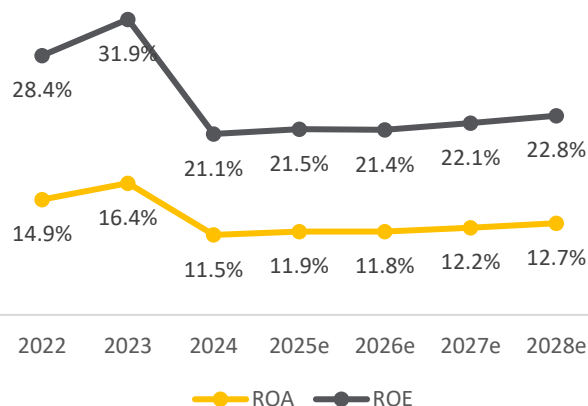
Source: Company data, GIB Capital

Figure 6: Net profit (SARmn)



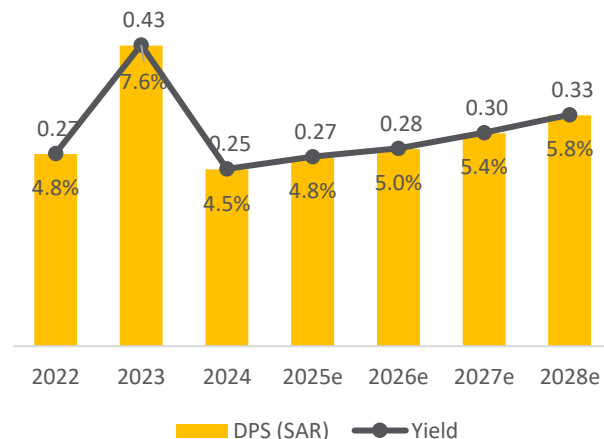
Source: Company data, GIB Capital

Figure 7: ROA and ROE



Source: Company data, GIB Capital

Figure 8: Dividend (SAR)



Source: Company data, GIB Capital

Financials

Figure 9: Summarized basic financial statements (SARmn)

Income statement	2023a	2024a	2025e	2026e	2027e
Revenue	1,827	1,893	1,966	2,056	2,144
revenue y/y	-1%	4%	4%	5%	4%
COGS	1,584	1,682	1,731	1,812	1,890
Gross Profit	243	211	235	243	254
Gross Profit margin	13.3%	11.1%	11.9%	11.8%	11.8%
Selling and distribution expenses	21	19	20	20	21
General and administrative expenses	53	57	58	60	62
ECL	3	3	2	2	2
Operating profit	166	132	154	160	169
Operating margin	9%	7%	8%	8%	8%
Other income	20	16	16	12	12
Finance costs	5	7	7	7	7
PBT	182	142	149	156	168
Zakat/tax	16	16	14	14	16
Loss/(Profit) from discon. operations	0	0	0	0	0
Net income	166	126	135	141	152
Net margin	9%	7%	7%	7%	7%
y/y	11%	-24%	7%	4%	8%
EPS	0.4	0.3	0.3	0.4	0.4
DPS	0.4	0.3	0.3	0.3	0.3
Payout	102%	79%	79%	79%	79%
EBITDA	201	174	201	206	212

Balance Sheet	2023a	2024a	2025e	2026e	2027e
Trade receivables	302	312	319	328	336
Prepayments and other current assets	189	129	134	140	146
Cash and cash equivalents	36	40	130	178	231
Other current assets	246	346	302	304	307
Total Current Assets	773	827	885	950	1,020
Property and equipment	133	167	159	149	138
Right-of-use assets	29	49	44	39	36
Murabaha term deposit	10	10	10	10	10
Other current assets	68	42	42	42	42
Total Non-Current Assets	240	269	255	241	225
Total Assets	1,012	1,095	1,141	1,191	1,245
Current Liabilities	324	304	313	324	336
Non-current Liabilities	167	191	199	209	220
Equity	522	600	629	658	690
Total Equity and Liabilities	1,012	1,095	1,141	1,191	1,245
BVPS	1.3	1.5	1.6	1.6	1.7

Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	182	120	197	201	212
Cashflow from Investing	(77)	(46)	12	(31)	(28)
Cashflow from Financing	(185)	(70)	(118)	(123)	(131)
Total Cashflows	(80)	4	91	48	53

Source: Company, GIB Capital

Figure 10: Key ratios

Key ratios	2023a	2024a	2025e	2026e	2027e
Profitability ratios					
RoA	16%	12%	12%	12%	12%
RoE	32%	21%	22%	21%	22%
Sales/Assets	180%	173%	172%	173%	172%
Net margin	9%	7%	7%	7%	7%
Liquidity ratios					
Current Assets/ Current Liabilities	2.4	2.7	2.8	2.9	3.0
Receivable Days	60	60	59	58	57
Payable days	7	4	4	4	4
Cash conversion cycle	53	56	55	54	53
Debt ratios					
Net Debt/EBITDA (w/ IFRS liab.)	-0.05	0.03	-0.44	-0.69	-0.93
Debt/Assets (w/o IFRS liab.)	0.03	0.04	0.04	0.03	0.03
Net Debt/Equity (w/ IFRS liab.)	-0.02	0.01	-0.14	-0.22	-0.29
Valuation ratios					
P/E	13.5	17.7	16.6	15.9	14.7
P/B	4.3	3.7	3.6	3.4	3.3
EV/EBITDA	10.4	12.0	10.4	10.1	9.9
FCF Yield	5.0%	-0.9%	6.7%	7.0%	7.3%
Dividend Yield	7.6%	4.5%	4.8%	5.0%	5.4%

Source: Company, GIB Capital

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