

## INITIATION

# Elm Company (Tadawul: 7203)

Scale without sacrificing returns

| RECOMMENDATION | SHARE PRICE       | 12-MONTH TARGET   | CAPITAL UPSIDE | FORECAST DIV. YIELD | 12-MONTH TSR  |
|----------------|-------------------|-------------------|----------------|---------------------|---------------|
| <b>Buy</b>     | <b>SAR 561.00</b> | <b>SAR 640.12</b> | <b>+14.1%</b>  | <b>2.4%</b>         | <b>+16.5%</b> |

INTENDED FOR US READERS ONLY

SAR millions unless otherwise stated

## Investment view

Elm is a leading provider of digital services in Saudi Arabia, with platforms used by government agencies and businesses for everyday transactions. Its Digital Business division is the main driver of profitability, accounting for 71% of revenue and approximately 86% of gross profit in FY2025.

We see further growth ahead as Elm expands its established services and develops new ones. However, the SAR 3.39 billion acquisition of Thiqah has increased the group's exposure to lower-margin activities, and improving returns from this business will be important. We forecast revenue rising from SAR 9.46 billion in FY2025 to SAR 16.76 billion by FY2030, with operating margins improving from 21.4% to 23.2%.

We initiate coverage with a Buy recommendation and a fair value estimate of SAR 640.12 per share, representing 14.1% upside from the SAR 561.00 reference price. Including forecast dividends, expected total return is 16.5%. We believe the current valuation does not fully reflect the longer-term earnings and cash flow potential of Elm's core digital business.

Elm is expected to release its Q3 2026 results shortly. We forecast attributable net profit of approximately SAR 563 million, around 1.6% below Evermore-compiled consensus of SAR 572 million. The results will provide an important update on operating margins and Thiqah's progress, although our investment case is focused on Elm's longer-term prospects.

| At a glance             | FY2025A | FY2030E |
|-------------------------|---------|---------|
| Revenue                 | 9,465   | 16,763  |
| Operating profit        | 2,030   | 3,889   |
| Operating margin        | 21.4%   | 23.2%   |
| Attributable net profit | 2,090   | 3,835   |
| Operating cash flow     | 2,663   | 4,507   |
| Diluted EPS SAR         | 26.80   | 48.92   |

FY2025 reported results; FY2030 Evermore estimates. Financial figures rounded. Financial years end 31 December.

Reference share price: SAR 561.00 as at 29 October 2026. DCF valuation as of 23 October 2026. Latest incorporated results: H1 2026. Q3 2026 figures are pre-results forecasts. Forecast dividends and returns are estimates; payment and eligibility dates are unannounced. Full conflicts and research disclosures appear on page 22.

## Analyst

### James Mickleboro

Evermore Research  
investors@evermoream.com.au  
evermoream.com.au

## Company data

|                     |               |
|---------------------|---------------|
| Exchange            | Tadawul       |
| Ticker              | 7203          |
| Issued shares m     | 80.00         |
| PIF ownership       | 67.0%         |
| Market cap (SAR bn) | 43.74         |
| Free float (%)      | 30.3%         |
| 52-week range (SAR) | 504.50–956.00 |

Approx. market cap uses H1 2026 shares excluding treasury. Ownership/free float: 31 Dec 2025. Range: 29 Oct 2026; see sources.

## Company profile

Elm develops and operates digital platforms, delivers technology projects and provides outsourced business services to public and private customers. Its activities include identity verification, residency, transport, trade and pilgrimage services.

Digital Business is the main earnings engine. BPO and Professional Services add delivery capabilities with different margins. The April 2025 Thiqah acquisition expanded the group's scale and government and commercial relationships.

## Price versus intrinsic value

|                        |                   |
|------------------------|-------------------|
| 29 OCT REFERENCE PRICE | <b>SAR 561.00</b> |
| DCF / 12-MONTH TARGET  | <b>SAR 640.12</b> |

14.1% upside + 2.4% forecast yield = 16.5% TSR

SAR 640.12: DCF fair value and 12-month target. Forecast DPS of SAR 13.70 assumes future eligibility; dividends and dates are unannounced.

## 01 The business

Elm develops and operates digital platforms, delivers technology projects and provides outsourced services to government agencies, businesses and individuals in Saudi Arabia. Based in Riyadh, the company supports activities ranging from identity verification and residency administration to transport, pilgrimage, trade and justice services.

The business began in 1988 as a technology research and localisation initiative. It went on to develop early electronic government services, including Yakeen and Muqem, and helped develop and operate Absher. Elm listed on the Saudi Exchange in February 2022 under ticker 7203, following its development as a government-owned technology business.

Saudi Arabia's Public Investment Fund (PIF), the country's sovereign wealth fund, held 67% of Elm at the end of 2025. Public shareholders held approximately 30.3%, with the remaining shares held in treasury. Elm's FY2025 annual report separately reported free float of 30.3% as at 31 December 2025.

Elm operates through three divisions. Digital Business combines digital products with technology projects and is the largest contributor to earnings. Business Process Outsourcing (BPO) runs services and projects that bring together people, processes and technology. Professional Services provides consulting and specialist capabilities, including data and artificial intelligence services.

Digital Business generated SAR 6.72 billion of revenue in FY2025, or 71% of the group, at a gross margin of 47.1%. BPO contributed SAR 2.56 billion, or 27%, at an 18.6% gross margin, while Professional Services generated SAR 182 million at a 20.1% gross margin. These differences mean that the balance of growth across the divisions has a significant effect on group profitability.

The April 2025 acquisition of Thiqah Business Services from PIF for approximately SAR 3.39 billion expanded Elm's government and commercial services, adding revenue and delivery capabilities. It also increased the group's exposure to lower-margin activities and introduced acquisition financing. Thiqah is now an important part of the business alongside Elm's established digital platforms.

## 02 Investment thesis

We believe Elm's strong market position provides an attractive opportunity for earnings and cash flow growth over the coming years. Our fair value estimate of SAR 640.12 per share suggests 14.1% capital upside from the SAR 561.00 reference price, without relying on a return to the much higher earnings multiples at which the shares previously traded.

Established products such as Muqem, Yakeen and Tamm are integrated into everyday government and business processes. Their competitive advantages extend beyond the software: Elm has longstanding relationships with public authorities, access to official systems and experience delivering services at national scale. Customers depend on these connections to complete essential transactions, making Elm's position difficult for a new competitor to replicate.

Digital Business provides the strongest foundation for growth. It generated approximately 86% of group gross profit from 71% of revenue in FY2025. Expanding the use of established products and adding services within those relationships should support further earnings growth, while preserving the attractive margins of the core business.

Thiqah adds capabilities and customer relationships, but its profitability needs to improve. The business was loss-making in 2024 and 2025 on the subsequently restated figures. A small profit in Q2 2026 is encouraging, although much stronger cash earnings will be needed to generate satisfactory returns on the SAR 3.39 billion acquisition. Integration savings and better contract economics offer scope for improvement.

We forecast revenue rising from SAR 9.46 billion in FY2025 to SAR 16.76 billion by FY2030, with operating margins improving from 21.4% to 23.2%. Growth in established digital products, additional services and better profitability across the enlarged group underpin these forecasts. Sustained cost increases or a slower recovery at Thiqah would weigh on that outlook.

Elm's relatively modest capital requirements are another attraction. The company has historically been able to grow without investing heavily in physical assets and infrastructure. We expect this to remain an advantage as the business expands, supporting stronger free cash flow over time. Cash collection remains important: the weak H1 2026 inflow shows that earnings growth does not always translate immediately into cash.

## 03 Q3 2026 earnings preview

### Revenue growth, but softer margins

We expect Elm to report Q3 revenue of approximately SAR 2.8 billion, an increase of 10.5% year on year. Operating profit is forecast to rise modestly to SAR 600 million, broadly in line with consensus, while attributable net profit is expected to reach SAR 563 million, around 1.6% below Evermore-compiled consensus of SAR 572 million.

| Metric                         | Q3 2025A | Evermore Q3 2026E | Consensus |
|--------------------------------|----------|-------------------|-----------|
| Revenue (SARm)                 | 2,535    | 2,800             | 2,830     |
| Operating profit (SARm)        | 584      | 600               | 598       |
| Operating margin               | 23.0%    | 21.4%             | 21.1%     |
| Attributable net profit (SARm) | 559      | 563               | 572       |

Source: Elm Company; Evermore Research estimates. Net-profit consensus is Evermore's seven-broker average. Revenue and operating profit are MarketScreener estimates that may have different contributors; consensus operating margin is derived, not separately surveyed.

### Margins and Thiqah

We forecast an operating margin of 21.4%, down from 23.0% a year earlier. The strength of Digital Business and the pace of operating-cost growth will be important to the result.

Thiqah's recovery is another area to watch. It reported an H1 net loss of approximately SAR 54 million, despite a small profit in Q2. Further improvement would be encouraging, particularly if supported by cost savings and better contract pricing. September's Ministry of Commerce renewal secures an important relationship, but should not be treated as an immediate source of substantial additional revenue.

### Cash collection

H1 operating cash flow was SAR 409 million. Our FY2026 forecast of SAR 2,053 million requires approximately SAR 1.64 billion in H2, making stronger collections an important part of the outlook.

### The margin outlook

Elm's operating margin weakened between Q3 and Q4 in each of 2023, 2024 and 2025. Business mix and year-end costs can affect profitability, but this history does not establish a fixed seasonal pattern. We forecast a Q4 2026 operating margin of approximately 17.9%.

Our forecasts allow for further margin pressure in H2. The results should help clarify the effect of business mix and project timing, as well as the progress of Thiqah's recovery.

The forthcoming announcement may influence near-term sentiment, but our Buy recommendation reflects Elm's longer-term earnings and cash flow potential.

## 04 Segment economics

| FY2025 segment        | Revenue SAR m | Gross profit SAR m | Gross margin |
|-----------------------|---------------|--------------------|--------------|
| Digital Business      | 6,725         | 3,166              | 47.1%        |
| BPO                   | 2,558         | 475                | 18.6%        |
| Professional Services | 182           | 37                 | 20.1%        |

Source: Elm Company, FY2025 financial statements. Figures rounded.

### Digital Business

Digital Business is Elm's largest and most profitable division, generating approximately 71% of group revenue and 86% of gross profit in FY2025. Its established products earn revenue from recurring transactions, subscriptions and additional services used by government agencies and businesses. Longstanding customer relationships and integration with official systems make these products part of everyday activity, supporting repeat demand and strong margins.

The division also delivers technology projects. Established digital products typically generate higher margins than these projects, which require more staff and implementation costs.

Major products include Muqem for residency administration, Yakeen for identity and information verification, Tamm for vehicle services, Fasah for trade processes and Nusuk for pilgrimage services. Elm also provides technology and operational support for Absher, which is owned by the Ministry of Interior. These services draw on years of cooperation with public authorities and commercial customers.

The division continued to perform well in H1 2026, with revenue of approximately SAR 3.63 billion and gross profit of SAR 1.76 billion, giving a 48.4% margin. Revenue from six major digital products increased approximately 14% to SAR 2.36 billion, while other digital-product revenue rose approximately 61% to SAR 1.08 billion. The broader product base is encouraging, although differing periods of Thiqah consolidation mean these growth rates are not wholly organic.

We expect established products to remain the main source of growth, supported by higher usage and additional services sold through existing relationships. Our FY2030 forecast is for Digital Business revenue of approximately SAR 12.48 billion at a gross margin of around 47%. This keeps profitability close to the division's recent range while allowing for continued expansion in products and projects.

## 04 Segment economics continued

### Business Process Outsourcing

BPO provides operational services and project delivery, combining personnel, facilities, processes and technology. These activities carry more ongoing delivery costs than Elm's established digital products, explaining their lower margins. Thiqah has expanded the division's scale and customer relationships, while adding lower-margin work to the group.

The improvement in H1 2026 was notable. Revenue reached approximately SAR 1.27 billion and gross profit SAR 294 million, lifting the gross margin to 23.2%, compared with 18.6% for FY2025. Elm attributed the stronger first-half margin to a more favourable project mix and the contribution from projects completed in Q1. Revenue also benefited from progress on public-private partnership projects and recognition of a completed project in Q1, while execution timing moderated growth later in the period.

The stronger first-half margin benefited from project mix and completion timing, which can vary between periods. Our longer-term forecast uses a gross margin of approximately 20%, below the first-half result, allowing for a more typical mix of contracts rather than repeating the benefit of Q1 completions. We forecast BPO revenue of approximately SAR 4.01 billion by FY2030. Continued growth at that margin would add to group earnings, even though Digital Business remains the larger profit contributor.

### Professional Services

Professional Services provides consulting, specialist technology, data and AI-related services. It is a small division, with FY2025 revenue of SAR 182 million at a 20.1% gross margin, but can support wider customer relationships and lead to further technology engagements. H1 2026 revenue was approximately SAR 99 million, with a gross margin of around 28%. We forecast revenue of approximately SAR 273 million by FY2030 at a gross margin of around 25%, reflecting continued growth from a modest base.

In FY2025, group revenue grew 27.8%, while gross profit increased 21.3% and operating profit 19.4%. The difference shows how expansion in lower-margin activities can make profit growth slower than revenue growth. The balance of future growth will therefore matter: Digital Business remains Elm's main source of earnings growth, while sustained improvements in BPO profitability could make a useful additional contribution.

## 05 Competitive advantages

Elm's strongest competitive advantage is the position it has built alongside Saudi government agencies over many years. Its services connect to official databases and administrative systems, and the company has experience running platforms used for large volumes of essential transactions. A competitor can develop similar software, but matching those relationships, securing the same access and establishing a reliable operating record is a much harder task.

Trust matters because these services handle sensitive information and support activities that customers need to complete accurately and on time. Government agencies need confidence in a provider's security, reliability and ability to maintain service through changes in demand or regulation. Elm's experience at national scale gives it a strong basis for retaining existing work and extending those relationships.

The benefits extend to commercial customers. Businesses already connected to Elm's products can use them repeatedly and add services as their needs grow. Existing technical connections and familiar processes give customers reasons to stay, while repeat demand allows Elm to spread development and operating costs across more transactions. This helps explain the attractive profitability of Digital Business and supports its prospects for further growth.

These strengths operate within commercial agreements. Some platforms are government-owned, and access, pricing and Elm's share of revenue depend on the relevant contracts. Changes to those terms could affect profitability even where demand remains strong. Elm's established position is therefore valuable, but maintaining good customer relationships and sound contract economics remains essential.

## 06 Industry outlook and growth

### Continued investment in digital services

Saudi Arabia continues to invest in digital public services. The Digital Government Authority reported government ICT expenditure of approximately SAR 31.9 billion in 2025 and contract awards of around SAR 31.7 billion across more than 6,100 agreements. These figures show the scale of public-sector technology investment, creating opportunities for experienced providers such as Elm.

The DGA also highlighted the completion of several core digital infrastructure projects. With those foundations in place, further opportunities include connecting services, improving the user experience and automating administrative processes. Elm's experience working across government systems puts it in a good position to support that development.

### More use of existing products and new applications

Established products such as Muqem, Tamm, Yakeen, Fasah and Nusuk can grow through more transactions, wider use and additional services sold to existing customers. They serve substantial recurring demand, giving Elm a base from which to expand without building every customer relationship from scratch. Growth is likely to moderate as the larger products mature, making a broader range of services increasingly important.

Elm is also extending its reach into new sectors. Its 2025 disclosures identify tourism, entertainment, car auctions and water services, alongside new government products and a Business Services Platform for commercial customers. These are practical opportunities to apply existing technology, verification and data-handling capabilities to different needs. Familiarity with customers and official systems can help Elm develop useful products and bring them to market.

The five-year SASO product-safety platform agreement signed on 22 September 2026 extends this approach. Elm will develop and operate the platform under a revenue-sharing arrangement. Estimated revenue over the term is approximately 15% of FY2025 revenue, or SAR 1.42 billion, but depends on transaction volumes rather than a fixed contract value. The term begins with the project commencement minutes. It strengthens Elm's position in regulatory services and its government relationships. Our Digital Business forecasts allow for new services but do not identify SASO separately; we therefore make no additional revenue adjustment.

### AI and international opportunities

Artificial intelligence could improve verification, data processing and automation within Elm's services, as well as support new products. The opportunity lies in applying those tools to real customer processes, where Elm already has relevant experience and access to systems. This does not establish a unique advantage in AI itself.

International expansion provides another opportunity to apply that experience. Elm's FY2025 disclosures list subsidiaries in Oman and Jordan, although revenue remains overwhelmingly Saudi Arabian. Building businesses in other markets will require local relationships and adaptation to different government systems and procurement requirements. The opportunity is promising, but its near-term contribution is still small.

We forecast group revenue rising from SAR 9.46 billion in FY2025 to SAR 16.76 billion by FY2030, approximately 12.1% annual growth. Digital Business provides most of that increase, supported by greater use of established products and a wider range of services. Overseas expansion could broaden the opportunity over time, while the domestic business remains the main source of growth.

## 07 Thiqah and capital allocation

### What Elm gained

Elm acquired Thiqah in April 2025 to broaden its government and commercial relationships and add service-delivery capabilities. Thiqah brings activities across areas such as commerce and justice, while Elm contributes experience developing and operating digital platforms. Combining those strengths could improve existing services, support new products and create opportunities across a larger customer base.

The acquisition also offers scope to remove duplicated costs and improve commercial arrangements. Those benefits matter because Thiqah was loss-making before the transaction and remained so in FY2025. The strategic opportunity is substantial, but better profitability and cash generation will be needed to justify the SAR 3.39 billion investment.

### Purchase price and accounting

The final purchase consideration was approximately SAR 3.386 billion. Because PIF controlled both companies, Elm accounted for the transaction under common-control rules, using the acquired assets' and liabilities' book values. Identifiable net assets were approximately SAR 264 million after historical corrections. The SAR 3.122 billion difference was charged against retained earnings rather than recognised as conventional acquisition goodwill.

The year-end review reduced acquired net assets by SAR 311.4 million, with corrections to capitalised expenditure, receivables, contract balances and liabilities. The scope of those adjustments warrants close scrutiny of Thiqah's financial reporting and subsequent performance. The retained-earnings charge reflects common-control accounting; whether the investment delivers value will depend on future earnings and cash flow.

### A weaker financial history

The subsequently restated figures show Thiqah moving from a SAR 199 million profit in FY2023 to losses in both FY2024 and FY2025. Revenue recovered in FY2025 but remained below FY2023. The figures below use the comparative series disclosed following Elm's 2025 year-end review.

| Thiqah standalone SARm | FY2023 | FY2024 | FY2025 |
|------------------------|--------|--------|--------|
| Revenue                | 1,615  | 1,430  | 1,548  |
| Net profit / (loss)    | 199    | (142)  | (177)  |

Source: Elm Company, FY2025 investor presentation. Standalone figures rounded; FY2024 and earlier comparatives subsequently restated.

The purchase consideration was approximately 2.2 times FY2025 revenue. With no current profit base to support an earnings multiple, the price places considerable weight on a recovery and the benefits of the combination. In the eight months consolidated in FY2025, Thiqah contributed approximately SAR 1.09 billion of revenue and SAR 240 million of gross profit. Elm reported SAR 310 million of associated operating expenses and a SAR 69.7 million reduction in operating profit.

## 07 Thiqah and capital allocation continued

### Early improvement in 2026

Thiqah generated approximately SAR 664 million of revenue and SAR 155 million of gross profit in H1 2026, a gross margin of around 23.3%. A small Q2 net profit of approximately SAR 1 million followed a Q1 loss of around SAR 55 million, leaving a first-half loss of approximately SAR 54 million. Improving profitability is encouraging as integration progresses.

Management previously identified SAR 70–80 million of potential cost savings and optimisation benefits for 2026. Those are prospective benefits, rather than confirmed realised savings. Removing duplication and improving the profitability of existing contracts would give the recovery a firmer foundation than relying on revenue growth alone.

### A renewed Ministry of Commerce agreement

The September 2026 Ministry of Commerce agreement is a meaningful development. The five-year arrangement, effective from 3 September, covers the development, operation and digitisation of ministry services. It replaces Thiqah's previous agreement on improved commercial terms, supporting the effort to earn more from established relationships.

Elm estimated revenue over the five-year term at approximately 19% of FY2025 group revenue. The amount depends on transactions and is not a fixed contract value. Because the agreement replaces existing business, the benefit lies in the improved terms and scope for additional services, rather than treating the entire revenue estimate as incremental.

### Returns and minority shareholders

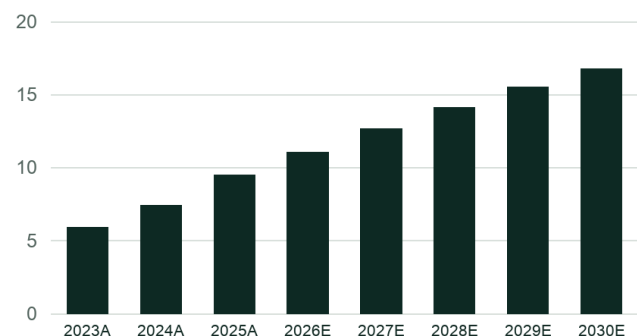
Elm paid approximately SAR 3.39 billion for a business that had recently made substantial losses. Reaching break-even would be progress, but stronger earnings and cash generation will be needed to justify that investment. The return will depend on Thiqah's operating performance, savings across the combined businesses and additional services generated through their customer relationships.

PIF was both the seller of Thiqah and Elm's controlling shareholder. That makes the price paid and the financial returns particularly important for minority shareholders. We will assess progress through reported profitability, cash generation and evidence that cost savings and improved contracts are producing lasting benefits. Successful integration could strengthen Elm's wider business; a slow recovery would leave a significant amount of capital earning an inadequate return.

## 08 Financial performance and forecasts

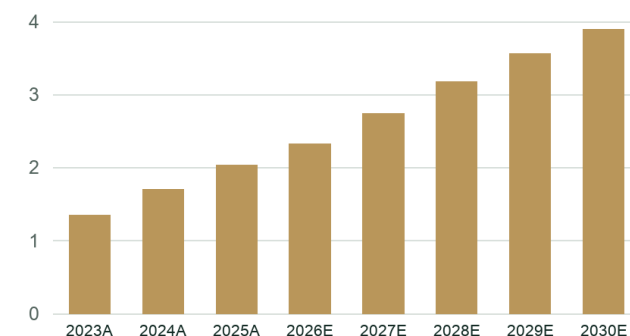
### Revenue

SAR bn



### Operating profit

SAR bn



A reported actual | E Evermore estimate | Each panel has its own scale

Source: Elm Company; Evermore Research estimates. Actuals FY2023–FY2025; Evermore forecasts FY2026–FY2030.

### Growth with a changing profit mix

Elm expanded rapidly between FY2023 and FY2025 as demand for established products grew, new services were launched and acquisitions increased its scale. Operating profit also rose strongly, although Thiqah and a larger contribution from lower-margin activities reduced the group operating margin from around 23% to 21.4%. As discussed in Segment Economics, FY2025 revenue growth of 27.8% outpaced gross-profit growth of 21.3% and operating-profit growth of 19.4%.

Growth continued in H1 2026: revenue increased 21.2% to SAR 5.00 billion and gross profit rose 23.1% to SAR 2.08 billion. Operating profit grew more slowly, up 15.5% to SAR 1.14 billion, as operating expenses increased faster than revenue. Management highlighted higher employee costs, depreciation and amortisation, and credit-loss charges. Thiqah's continuing losses also weighed on group profitability, despite an improvement in Q2.

Attributable net profit increased 7.7% to SAR 1.17 billion, benefiting from a non-recurring SAR 59 million remeasurement gain on the acquisition of control of Sahel Madar. Higher financing and zakat charges affected the comparison, while the previous year's first half had benefited from a zakat reversal. The reported increase therefore needs to be considered alongside those one-off items.

### Further growth led by Digital Business

We forecast revenue of SAR 11.06 billion in FY2026 and SAR 12.65 billion in FY2027, rising to SAR 16.76 billion by FY2030. That represents approximately 12.1% annual growth from FY2025. Our FY2026 revenue forecast implies growth of approximately 16.9%, marginally below the lower end of management's previous 17%–19% guidance range. Management reaffirmed that range in its H1 2026 results presentation.

Digital Business remains the main driver. More transactions through established platforms and additional services sold to existing customers support our forecast of SAR 12.48 billion in division revenue by FY2030. BPO adds growth through service delivery and a broader contract base, reaching approximately SAR 4.01 billion, while Professional Services grows from a smaller base to around SAR 273 million.

## 08 Financial performance and forecasts continued

### Improving margins and earnings

We expect group operating margin to improve from 21.0% in FY2026 to 23.2% by FY2030. Higher-margin Digital Business becomes a larger share of revenue, while better performance from Thiqah and BPO and slower growth in operating expenses improve group efficiency. The segment gross-margin assumptions remain close to those discussed earlier: around 47% for Digital Business, 20% for BPO and 25% for Professional Services.

This improvement depends on established products retaining their profitability as the group grows. Higher delivery costs, sustained increases in employee or technology spending, or a greater share of lower-margin projects could absorb more of the additional revenue. Progress at Thiqah is also important to the expected recovery.

Operating profit reaches approximately SAR 3.89 billion and attributable profit SAR 3.83 billion by FY2030 in our forecasts. Debt repayment should reduce acquisition-related financing costs over time. Higher cash balances also increase financing income. The resulting diluted EPS forecasts include SAR 33.34 in FY2027, SAR 39.11 in FY2028 and SAR 48.92 in FY2030.

### Financial summary

| SAR million unless stated   | FY2023A | FY2024A | FY2025A |
|-----------------------------|---------|---------|---------|
| Revenue                     | 5,898   | 7,407   | 9,465   |
| Gross profit                | 2,332   | 3,031   | 3,678   |
| Operating profit            | 1,351   | 1,700   | 2,030   |
| Attributable net income     | 1,356   | 1,827   | 2,090   |
| Operating margin            | 22.9%   | 23.0%   | 21.4%   |
| Operating cash flow         | 1,559   | 1,659   | 2,663   |
| CFO / attributable earnings | 114.9%  | 90.8%   | 127.4%  |
| Diluted EPS (SAR)           | 16.95   | 23.44   | 26.80   |

Source: Elm Company. Historical EPS use differing share-count bases, as explained below. A actual.

### Evermore forecasts

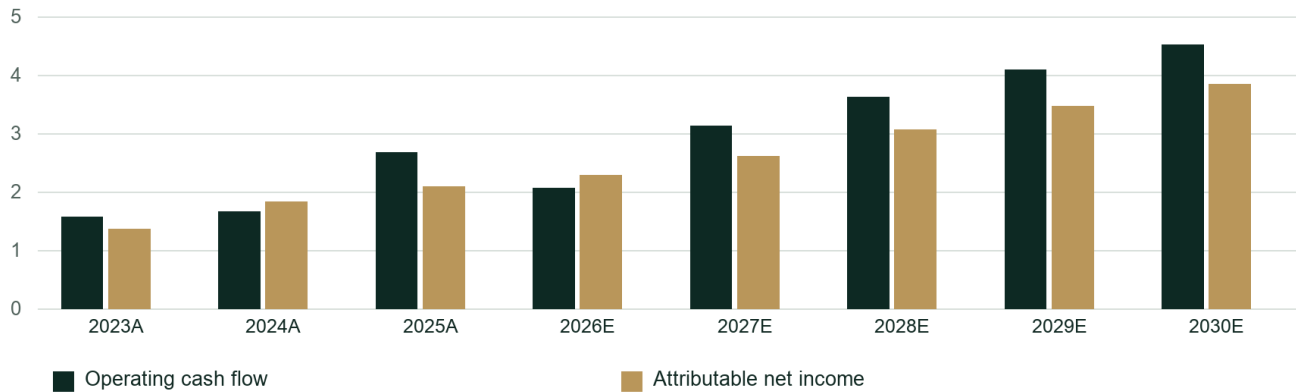
| SAR million unless stated   | FY2026E | FY2027E | FY2028E | FY2029E | FY2030E |
|-----------------------------|---------|---------|---------|---------|---------|
| Revenue                     | 11,064  | 12,651  | 14,110  | 15,521  | 16,763  |
| Gross profit                | 4,373   | 5,005   | 5,631   | 6,208   | 6,705   |
| Operating profit            | 2,321   | 2,741   | 3,176   | 3,554   | 3,889   |
| Attributable net income     | 2,284   | 2,606   | 3,060   | 3,466   | 3,835   |
| Operating margin            | 21.0%   | 21.7%   | 22.5%   | 22.9%   | 23.2%   |
| Operating cash flow         | 2,053   | 3,129   | 3,617   | 4,085   | 4,507   |
| CFO / attributable earnings | 89.9%   | 120.1%  | 118.2%  | 117.9%  | 117.5%  |
| Diluted EPS (SAR)           | 29.25   | 33.34   | 39.11   | 44.26   | 48.92   |

Source: Elm Company; Evermore Research estimates. E estimate. FY2023 diluted EPS of SAR 16.95 uses the original 80.0m-share denominator. FY2024 EPS of SAR 23.44 uses the revised FY2025 comparative basis of 77.930m diluted shares; originally reported FY2024 EPS was SAR 22.84. These historical EPS are not on one uniform denominator.

## 09 Cash flow and the balance sheet

### Operating cash flow and attributable earnings

SAR bn | A reported actual | E Evermore estimate



Source: Elm Company; Evermore Research estimates. Actuals FY2023–FY2025; Evermore forecasts FY2026–FY2030.

### Turning earnings into cash

Elm has generated substantial operating cash flow, but collection timing can cause large swings between periods. Cash flow exceeded attributable earnings in FY2023 and FY2025, while conversion was weaker in FY2024. Receivables and contract assets rise when work is recognised before payment is received; the timing of collections then determines how quickly those earnings become cash.

That distinction was especially important in H1 2026. Operating cash flow of SAR 409 million represented only around 35% of attributable profit. Our full-year forecast of approximately SAR 2.05 billion requires around SAR 1.64 billion in H2, making a substantial recovery in collections an important part of the outlook. Management's previous FY2026 cash-conversion guidance was 85%–95% of net income; our forecast is approximately 90% of attributable profit.

We expect cash conversion to strengthen from FY2027, reaching around 118%–120%. This depends on better collections and working-capital performance. Persistent delays in payment or a continued build-up of contract assets would reduce the cash available for investment, debt repayment and distributions.

### Modest investment requirements

Elm has expanded while spending relatively modest amounts on property, software and other long-term assets. The table combines cash purchases of PPE and intangibles, capital work in progress and long-term prepayments. Investment averaged approximately 3.9% of revenue across FY2023–FY2025, supporting the prospect of attractive cash generation as earnings grow.

| Gross nonlease investment SAR m   | FY2023A | FY2024A | FY2025A |
|-----------------------------------|---------|---------|---------|
| PPE and intangible cash purchases | 58      | 63      | 144     |
| Capital work in progress          | 116     | 165     | 186     |
| Long term prepayments             | 35      | 23      | 98      |
| Total gross nonlease investment   | 209     | 251     | 428     |

Source: Elm Company financial statements; Evermore Research historical reconstruction. Cash CWIP spending is counted when paid, without counting subsequent noncash transfers again. Acquisitions are excluded; leases and working capital are separate.

## 09 Cash flow and the balance sheet continued

### Growing free cash flow

Continued earnings growth and relatively modest capital requirements support our forecast of free cash flow to the firm rising from approximately SAR 2.29 billion in FY2027 to SAR 3.35 billion by FY2030. These Evermore forecasts include lease-related investment and working-capital requirements as well as ordinary capital spending; they are distinct from reported operating cash flow.

Maintaining those cash returns requires ongoing investment in products, systems and service delivery. Research and development spending is already reflected in operating profit, while capitalised development, lease commitments and the funding of receivables also use resources. Elm's limited need for heavy physical assets is an advantage, but the cash outcome will still depend on how efficiently it manages growth.

### Liquidity after the Thiqah acquisition

At 30 June 2026, Elm reported corporate cash and cash equivalents of SAR 1.575 billion and a separate SAR 1.916 billion of Murabaha deposits with original terms above three months. Cash equivalents already included SAR 902 million of short-term Murabaha deposits. Together, corporate cash and the separately reported deposits provided approximately SAR 3.49 billion of liquidity.

Bank borrowings were SAR 1.536 billion, comprising SAR 396 million due within a year and SAR 1.140 billion classified as non-current. Repayments had reduced borrowings from SAR 1.973 billion at December 2025. Lease liabilities increased from approximately SAR 653 million to SAR 713 million over the same period, reflecting ongoing commitments as the business expanded.

On 6 October 2026, Elm renewed its SAR 500 million Al Rajhi Bank facility for 12 months, supporting working capital if needed and bank guarantees, secured by a promissory note for the full limit. The renewal provides financing flexibility, but the limit is neither drawn debt nor unrestricted cash. A SAR 500 million facility was already disclosed at FY2025. Our forecasts assume no new borrowing from the renewal and retain the existing debt repayment schedule.

These corporate balances provide a liquidity buffer, although collections remain important to funding investment and debt repayment. The SAR 16.6 billion held as an agent for other parties at June 2026 is excluded from Elm's balance sheet and is not available for its own operations or shareholder distributions. Further acquisitions or large projects could increase borrowing requirements.

### Dividends

Calendar-year 2025 cash payments totalled SAR 8.50 per share: SAR 4.00 in March and SAR 4.50 in August. Dividends relating to the two FY2025 halves totalled SAR 9.00: SAR 4.50 paid in August 2025 and SAR 4.50 in March 2026. Most recently, Elm paid a dividend of SAR 5.00 per share in August 2026, relating to H1 2026. We forecast SAR 6.70 in March 2027 and SAR 7.00 in August, totalling SAR 13.70 over the next 12 months: a 2.4% yield at SAR 561.00. These distributions and dates are unannounced estimates; we assume a new investor holds through both future eligibility dates.

## 10 Valuation

### DCF fair value and 12-month target of SAR 640.12

Our intrinsic value and 12-month price target are SAR 640.12 per share, 14.1% above the SAR 561.00 reference share price as at 29 October 2026. Including SAR 13.70 of forecast dividends, expected 12-month total return is 16.5%. We use discounted cash flow because Elm combines established digital platforms with technology projects and BPO services. Their different margins and cash requirements are difficult to capture with a single peer earnings multiple.

The DCF includes explicit forecasts through FY2032. Revenue growth moderates to 5.5% in FY2031 and 4.0% in FY2032 before reaching a 3.0% terminal rate. Our 12-month target equals the DCF fair value; it assumes no additional value from the passage of time over the target horizon. The return estimate assumes eligibility for forecast March and August 2027 dividends during a holding period from 30 October 2026 to 30 October 2027. The 16.5% expected return exceeds our 15% Buy threshold.

### Cost of capital

We select a 9.5% weighted average cost of capital. The principal inputs below produce a mechanical estimate of approximately 9.36%; the selected rate is an analyst assumption modestly above that calculation, allowing for uncertainty around contracts, collections and integration.

| Cost-of-capital input     | Assumption |
|---------------------------|------------|
| Risk-free rate            | 5.0%       |
| Equity beta               | 0.95       |
| Saudi equity risk premium | 4.94%      |
| Calculated cost of equity | 9.69%      |
| Debt / equity             | 10.0%      |
| Pre-tax cost of debt      | 6.0%       |
| Mechanical WACC           | 9.36%      |
| Selected WACC             | 9.5%       |

Source: Evermore Research assumptions; Damodaran July 2026 country-risk data for the equity risk premium. Cost of equity =  $5.0\% + 0.95 \times 4.94\%$ . Mechanical WACC =  $(9.693\% + 10\% \times 6.0\%) / 1.10$ , without a separate tax shield.

### Long-term investment and cash flow

The terminal forecast retains a 23.2% operating margin and gross nonlease investment of 4% of revenue, consistent with the broad historical spending pattern. Leases and working capital are recognised separately. After depreciation and other cash-flow adjustments, FY2033 net economic reinvestment is approximately SAR 331 million and terminal free cash flow to the firm is SAR 3.80 billion.

The relationship between 3% growth, operating profit after tax and reinvestment implies an incremental return on capital of around 37.5%. This is a forecast relationship, rather than measured historical ROIC. Maintaining attractive platform margins and relatively modest investment requirements is therefore central to the valuation.

## 10 Valuation continued

### Enterprise-to-equity bridge

The DCF values Elm's operating business before financing. Adding corporate cash, deposits and other financial assets, then deducting borrowings and other claims, produces the equity value shown below. Corporate liquidity offsets part of the financing raised for Thiqah; the bridge uses estimated October balances where reported figures are unavailable.

| DCF component                                | SAR million      |
|----------------------------------------------|------------------|
| PV explicit-period FCFF                      | 14,186.51        |
| PV terminal value                            | 33,342.85        |
| <b>Enterprise value</b>                      | <b>47,529.36</b> |
| Corporate cash and cash equivalents          | 2,139.79         |
| Murabaha deposits over three months          | 1,916.24         |
| Investments in associates and joint ventures | 43.23            |
| Other financial assets                       | 659.43           |
| Bank borrowings                              | (1,525.88)       |
| Lease liabilities                            | (716.66)         |
| Non-controlling interests carrying value     | (16.18)          |
| Acquisition contingent consideration         | (3.37)           |
| <b>Net equity bridge adjustment</b>          | <b>2,496.60</b>  |
| <b>Equity value</b>                          | <b>50,025.96</b> |
| Forecast diluted shares million              | 78.151           |
| <b>Intrinsic value SAR per share</b>         | <b>640.12</b>    |

Source: Elm Company; Evermore Research estimates. October balances include interpolation. The bridge reconciles the present value of operating cash flows to equity value after financial assets and other claims. Share-count bases and annual cash flows are explained in the valuation appendix on page 20.

Other financial assets comprise SAR 415 million of money-market funds and SAR 244 million of longer-term financial investments. We retain their SAR 659 million carrying value as the central valuation convention. The latter are not cash equivalents: excluding them would reduce value by SAR 3.12 per share to SAR 637.00. Corporate cash, separate Murabaha deposits and these investments are counted once; agency cash is excluded.

Approximately 70.2% of enterprise value comes from discounted cash flows beyond FY2032. Our estimate therefore places substantial weight on Elm maintaining attractive margins, expanding its digital platforms and generating cash after the explicit forecast period. Long-term operating performance and investment needs matter more to this value than any single quarterly result.

### DCF sensitivities

| WACC        | 2.0% terminal growth | 3.0% terminal growth | 4.0% terminal growth |
|-------------|----------------------|----------------------|----------------------|
| 8.5%        | 669                  | 752                  | 874                  |
| <b>9.5%</b> | <b>582</b>           | <b>640</b>           | <b>720</b>           |
| 10.5%       | 516                  | 558                  | 613                  |

Source: Evermore Research estimates. SAR per share; central operating forecasts and reinvestment assumptions.

At 3% terminal growth, values range from SAR 558 to SAR 752 as WACC moves between 10.5% and 8.5%. The central assumptions support our fair value estimate, while the range shows how materially changes in long-term cash returns and required returns can affect the result.

## 10 Valuation continued

### Comparable companies

Elm combines digital platforms, software-related services and outsourcing, so no single listed company offers a complete comparison. TechnologyOne and Tyler Technologies provide enterprise and government software references; Accenture and Solutions by STC illustrate technology-services valuations. Verisk and Rasan add perspectives on data, transactions and digital platforms.

| Company                      | Business reference                                     | FY2027<br>forward P/E | FY2028<br>forward P/E |
|------------------------------|--------------------------------------------------------|-----------------------|-----------------------|
| TechnologyOne                | Mission-critical enterprise and public-sector software | 53.6x                 | 45.0x                 |
| Tyler Technologies           | Government software and workflow platforms             | 37.7x                 | 33.5x                 |
| Verisk Analytics             | Proprietary data, analytics and workflows              | 23.5x                 | 20.8x                 |
| Rasan Information Technology | Saudi digital platform                                 | 19.4x                 | 15.6x                 |
| Accenture                    | IT consulting and technology services                  | 17.0x                 | 15.7x                 |
| Solutions by STC             | Saudi IT and government technology services            | 12.0x                 | 11.3x                 |
| <b>Elm at Evermore DCF</b>   | <b>Platform and services mix</b>                       | <b>19.2x</b>          | <b>16.4x</b>          |

Source: MarketScreener and Stock Analysis; prices 22–23 October 2026. FY2027/28 are company fiscal years, not calendarised: TechnologyOne ends September, Accenture August and the other peers December. EPS adjustments and accounting bases differ; multiples are a cross-check, not the basis of our DCF target.

Elm's profitable platforms and growth prospects support a premium to some traditional IT-services businesses. Its larger delivery and outsourcing activities, however, give it a different earnings mix from specialist software companies. Our DCF implies FY2027 and FY2028 P/E ratios of 19.2 and 16.4 times, below several software and data peers while above the lower-rated services comparisons.

### Investment implications

Since the 26 October 2025 close of SAR 943.50, Elm's shares have fallen about 41%, closing at SAR 561.00 on 29 October 2026. To isolate the price effect, applying the same FY2025 diluted EPS of SAR 26.80 to these prices gives 35.2 times and 20.9 times earnings. This illustrates compression on a constant earnings basis; it is not a comparison of contemporaneous historical forward multiples.

At the reference price, Elm trades on 16.8 times our FY2027 earnings and 14.3 times FY2028. Slower profit growth, margin pressure, Thiqah's acquisition economics and weak cash conversion are reasonable concerns investors may be weighing; they are our interpretation, rather than an established explanation for the selling. Our DCF gives greater weight to the established platforms' long-term earnings and cash generation. Sustained core growth, improved collections and a recovery in Thiqah's profitability would provide evidence that the group can deliver that value and could support renewed confidence.

## 11 Risks and what we will monitor

### Government contracts and commercial terms

Changes to transaction pricing, revenue sharing or service scope could reduce the profitability of Elm's established platforms. The ten-year Ministry of Interior/SDAIA agreement announced in July 2024 covers products that represented approximately 42% of FY2023 group revenue. Its term provides continuity, but the revenue-sharing structure makes commercial terms and activity levels important to earnings. The concentration is significant even without a loss of the underlying business. The September 2026 SASO agreement similarly depends on transaction volumes and revenue sharing; its estimated revenue is not a guaranteed backlog.

### Cash collection and working capital

Weak H1 2026 cash flow shows how slowly recognised revenue can turn into receipts. Our later forecasts assume cash conversion of around 118%–120%; slower collections, rising receivables or additional credit losses would reduce free cash flow and the funds available for growth and distributions.

### Thiqah and group profitability

The SAR 3.386 billion Thiqah acquisition carries a risk of a slower recovery or weaker financial returns than expected. Delayed savings, poor contract economics or further integration costs could hold back earnings. More broadly, employee expenses, costly technology projects or faster growth in lower-margin BPO could constrain group profitability. Our FY2030 operating-margin forecast of 23.2% depends on maintaining strong Digital Business economics and improving operating efficiency.

### Technology and trusted access

Elm processes sensitive official information and supports services used for essential transactions. A breach, prolonged outage or failure of a critical provider could interrupt customers' activities and damage the public-sector trust and systems access on which its position depends. Maintaining security and reliable services is therefore central to retaining business, alongside the direct costs of any incident.

### Ownership and expansion decisions

PIF's controlling ownership, reported at 67% at FY2025, gives it considerable influence over strategy and major transactions. Its role as both seller and controlling shareholder in the Thiqah acquisition highlights the need to assess related-party decisions from minority shareholders' perspective. New products, AI applications and overseas expansion also require careful allocation of capital: they face different competitors and may not achieve the returns of Elm's established Saudi platforms.

### Long-term valuation assumptions

The large contribution from terminal cash flows makes fair value sensitive to sustained profitability and investment requirements. Weaker platform margins, more capital tied up in projects or higher required returns could reduce value substantially, even if near-term earnings remain resilient.

### What we will monitor

We will track Digital Business gross margins and major contract developments; receivables, collections and operating cash flow; Thiqah profitability and integration; operating costs and group margins; and capital investment and lease commitments. These indicators will show whether growth is preserving the core business's economics and producing the cash returns we expect.

## 12 Investment conclusion

Elm has built a strong position in Saudi Arabia's digital economy. Its established platforms combine repeat demand, attractive margins and relationships that are difficult to replicate. Greater use of those services and a broader product range offer scope for continued earnings growth, while relatively modest capital requirements support the prospect of stronger free cash flow.

The enlarged group still has work to do on collections and profitability. Thiqah adds customer relationships and opportunities to improve services, but its recovery must translate into satisfactory financial returns. We believe the strength of the core digital business provides a sound foundation as that integration progresses.

At the SAR 561.00 reference price, we consider the shares attractive relative to Elm's growth prospects and competitive position. Our fair value and 12-month target of SAR 640.12 imply 14.1% capital upside and 16.5% expected total return including forecast dividends. We initiate coverage with a Buy recommendation, based on the opportunity for earnings and cash flow to grow over the coming years.

## 13 Valuation appendix

### Discounted cash flow schedule

Valuation date: 23 October 2026. SAR million, except per-share amounts. The 2026 column includes only the remaining forecast cash flows after the valuation date; annual cash flows thereafter use mid-year discounting.

| Period         | FCFF     | Years | Factor | PV FCFF  |
|----------------|----------|-------|--------|----------|
| 2026 remaining | 465.18   | 0.095 | 0.9915 | 461.21   |
| 2027           | 2,285.38 | 0.689 | 0.9394 | 2,146.85 |
| 2028           | 2,669.55 | 1.689 | 0.8579 | 2,290.16 |
| 2029           | 3,030.73 | 2.689 | 0.7835 | 2,374.44 |
| 2030           | 3,349.57 | 3.689 | 0.7155 | 2,396.56 |
| 2031           | 3,543.78 | 4.689 | 0.6534 | 2,315.54 |
| 2032           | 3,689.74 | 5.689 | 0.5967 | 2,201.75 |

### Terminal value and equity valuation

| Component                                  | Value                      |
|--------------------------------------------|----------------------------|
| FY2033 terminal FCFF / growth / WACC       | 3,800.60 / 3.0% / 9.5%     |
| Terminal value / years / discount factor   | 58,470.71 / 6.189 / 0.5702 |
| PV explicit cash flows / PV terminal value | 14,186.51 / 33,342.85      |
| Enterprise value / net equity adjustments  | 47,529.36 / 2,496.60       |
| Equity value / diluted shares million      | 50,025.96 / 78.151         |
| Fair value / 12-month target SAR per share | 640.12 / 640.12            |

Source: Evermore Research estimates. Terminal value = FY2033 FCFF / (WACC – terminal growth), discounted from end-FY2032. Terminal value contributes 70.2% of enterprise value. The page 16 bridge details all equity adjustments; agency cash is excluded. Employee benefit cash costs are included in FCFF rather than deducted again as debt.

### Share-count bases

Issued shares are 80.000m. H1 2026 treasury shares of 2.027m leave 77.973m basic outstanding shares, consistent with the August 2026 dividend-eligible count. H1 weighted-average diluted shares were 77.991m. Forecast EPS denominators are 78.071m / 78.151m / 78.231m / 78.311m / 78.391m for FY2026–FY2030; the DCF uses the FY2027 denominator of 78.151m.

Our forecasts allow for 80,000 additional diluted shares annually as an Evermore Research estimate of potential dilution from employee incentive arrangements. This does not assume a reduction in treasury shares. Share-based compensation expense is modelled separately in cash flow and equity. Using current basic outstanding shares instead would raise fair value to SAR 641.58; another 0.080m diluted shares would reduce it by about SAR 0.65. Dividend eligibility and weighted-average EPS shares serve different purposes.

## 14 Sources and methodology

Financial figures are SAR million unless stated. A denotes actual and E Evermore estimate. Forecasts are Evermore Research estimates, distinct from company guidance and broker consensus. Company financial information and external research sources are listed below.

Elm Company, FY2025: audited financial statements and annual report. Segment results, acquisition accounting, capital, treasury shares and banking facilities. FY2025 audited statements FY2025 annual report

Elm Company, H1 2026: reviewed financial results and management guidance, reaffirmed 3 August 2026. Latest financial results incorporated: H1 2026. H1 2026 results presentation H1 2026 Exchange results announcement H1 2026 reviewed statements

Elm historical comparisons: FY2023–FY2025 financial statements and earnings releases. FY2023 diluted EPS uses the original 80.0m-share basis; FY2024 uses the revised FY2025 comparative denominator. Historical quarterly margin comparisons reflect the disclosed expense reclassification and do not establish a fixed Q4 seasonal effect.

Elm Company contract announcements: Thiqah / Ministry of Commerce renewal, September 2026; Ministry of Interior / SDAIA agreement, July 2024. Ministry of Commerce renewal MOI / SDAIA agreement

Elm Company, Saudi Exchange announcements: SASO platform, 22 September 2026 (98243); Al Rajhi facility renewal, 6 October 2026 (98430). Original announcement text reviewed through archived copies. SASO announcement text Al Rajhi renewal text

Saudi Press Agency / Digital Government Authority, 15 June 2026: 2025 government ICT expenditure and contract awards. DGA spending report release

Aswath Damodaran, July 2026: country-risk-premium data. Selected WACC remains an Evermore assumption. July 2026 country-risk dataset

MarketScreener and Stock Analysis: peer prices and forecast EPS recorded 22–23 October 2026. Company fiscal years are not calendarised; US GAAP, IFRS and provider EPS adjustments are not fully comparable. The comparison is indicative, not a direct relative-value target. TechnologyOne forecasts Tyler forecasts Verisk forecasts Solutions forecasts Rasan forecasts Accenture forecasts

Evermore Q3 consensus compilation, 26 October 2026: seven-broker net-profit mean approximately SAR 572 million. MarketScreener revenue SAR 2,830m and operating profit SAR 598.1m may have different contributors. Evermore Q3/Q4 profit estimates are approximately SAR 563m / SAR 552m. Elm consensus estimates

Valuation: Evermore Research valuation model. Unlevered FCFF excludes financing income. The enterprise-to-equity bridge includes corporate cash, deposits and investments once and excludes agency cash. The 12-month target equals the DCF value without a WACC roll-forward.

Reference share price: SAR 561.00 as at 29 October 2026. Dividend forecast: SAR 6.70 in March 2027 plus SAR 7.00 in August 2027, using approximately 77.97 million eligible shares. Expected gross return = (target – reference price + forecast DPS) / reference price. Both forecast payments fall within 30 October 2026–30 October 2027; declaration, ex-dividend, eligibility and exact payment dates are unannounced. Eligibility assumes continued ownership through those future dates. No prior eligible/paid distribution is included. 29 October 2026 closing price Elm historical price comparison Argaam market data

Cover company and market data: Approximate market capitalisation of SAR 43.74 billion equals SAR 561.00 multiplied by 77.973 million shares excluding treasury at 30 June 2026; it does not use a vendor share-count estimate. Issued shares, PIF ownership and separately reported free float of 30.3% are from the FY2025 annual report at 31 December 2025. The SAR 504.50–956.00 52-week range is Stock Analysis market data for the 29 October 2026 reference period. Stock Analysis market data

## 15 Research disclosures

Research status: Independent Evermore Research initiation report. Analyst: James Mickleboro. This report contains Evermore's independent recommendation, forecasts, valuation and investment opinions.

Conflicts: A fund managed by Evermore holds shares in Elm Company. The analyst has no personal holding in Elm. Neither Evermore nor the analyst has received compensation from Elm, Thiqah or the Public Investment Fund in connection with this research. The report is produced by Evermore Research without issuer sponsorship.

Evermore Research ratings

Buy: Expected 12-month total shareholder return of 15% or more.

Hold: Expected 12-month total shareholder return greater than -10% but below 15%.

Sell: Expected 12-month total shareholder return of -10% or less.

Total shareholder return includes expected capital appreciation and forecast dividends. The target is an investment assessment, not a commitment that the share price will reach that level.

Forward-looking information: Forecasts, sensitivities and fair values reflect assumptions and judgement and are subject to material uncertainty. They may change after new results, contract developments or market data. The SAR 640.12 intrinsic value and 12-month target are not guaranteed share prices. The Buy recommendation and 16.5% expected return use the SAR 561.00 reference share price and SAR 13.70 of forecast dividends. Those dividends are unannounced and depend on future declarations and eligibility.

General information: This report is intended for US readers only. It does not account for any particular investor's needs, objectives or financial circumstances and is not a personal recommendation, offer or solicitation to trade securities. Past results are not reliable indicators of future performance.