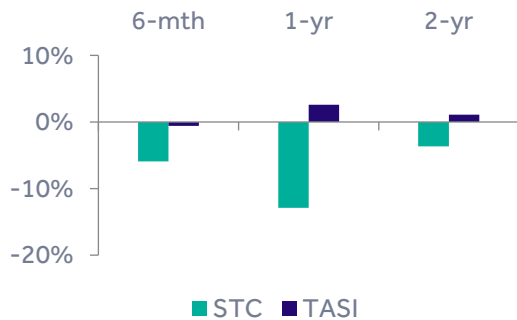


Market Data	
52-week high/low	SAR 45.95/35.00
Market Cap	SAR 195,500 mln
Shares Outstanding	5,000 mln
Free-float	35.98%
12-month ADTV	3,694,281
Bloomberg Code	STC AB



Healthy Growth and Margin Expansion

July 25, 2024

Upside to Target Price	20.2%	Rating	Buy
Expected Dividend Yield	4.1%	Last Price	SAR 39.10
Expected Total Return	24.3%	12-mth target	SAR 47.00

STC	2Q2024	2Q2023	Y/Y	1Q2024	Q/Q	RC Estimate
Sales	19,155	18,327	5%	19,100	0%	19,243
Gross Profit	9,571	9,015	6%	9,386	2%	9,429
Gross Margins	50%	49%		49%		49%
Operating Profit	3,885	3,281	18%	3,856	1%	3,638
Net Profit	3,304	3,008	10%	3,286	1%	3,151

(All figures are in SAR mln)

- STC group reported record revenues of SAR 19.2 bln, marking a strong rise of +4.5% Y/Y and +0.3% Q/Q, matching our forecast. Most subsidiaries experienced Y/Y growth, notably STC KSA with a +0.1% increase (SAR +162 mln), driven by a +5.3% rise in commercial unit, which offset the decline in business unit. Tawal also showed significant +20% (SAR +127 mln) increase. STC KSA's Mobile subscribers grew by +9.7% to 27.4 mln, primarily from Prepaid. Fixed subscribers rose by +2.5%, while the subscribers in Kuwait and Bahrain declined by -3.7% to 3.2 mln. Sequentially, STC KSA also drove the marginal +0.3% Q/Q increase, offsetting a -7.3% decline from Channels.
- In terms of half year performance, the group witnessed Y/Y growth across all metrics, showing revenue growth in all segments. This resulted in a +7.8% increase in net income and an impressive +49.8% growth in Operating Cash Flow.
- Profitability margins in 2Q24 showed an improvement at the group level on both Y/Y and Q/Q basis, supported by the group's strategy and a comprehensive cost efficiency program. Gross margin expanded to 50.0% vs 49.1% and 49.8%, recorded in the previous and corresponding quarters, respectively. Operating margin notably increased by +238 bps Y/Y to 20.3% in 2Q.
- Net income reached SAR 3.3 bln (+10% Y/Y, +1% Q/Q), in line with our SAR 3.2 bln estimate, despite higher finance cost due to increased leverage, and additional retirement expenses. Current dividend yield of 4.1% is attractive to investors, with potential for a higher dividend by year end. We keep our Buy recommendation and SAR 47.00 target price.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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