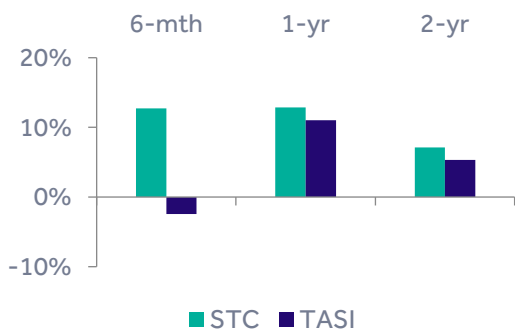


| Market Data | |
|--------------------|-----------------|
| 52-week high/low | SAR 46.50/35.85 |
| Market Cap | SAR 211,500 mln |
| Shares Outstanding | 5,000 mln |
| Free-float | 35.98% |
| 12-month ADTV | 5,133,063 |
| Bloomberg Code | STC AB |



■ One-Offs Aid Margins & Profits

November 05, 2024

| | | | |
|-------------------------|-------|---------------|-----------|
| Upside to Target Price | 8.7% | Rating | Neutral |
| Expected Dividend Yield | 4.8% | Last Price | SAR 42.30 |
| Expected Total Return | 13.6% | 12-mth target | SAR 46.00 |

| STC | 3Q2024 | 3Q2023 | Y/Y | 2Q2024 | Q/Q | RC Estimate |
|------------------|--------|--------|------|--------|------|-------------|
| Sales | 18,643 | 18,034 | 3% | 19,021 | (2%) | 19,021 |
| Gross Profit | 10,395 | 9,620 | 8% | 8,825 | 18% | 10,081 |
| Gross Margins | 56% | 53% | | 46% | | 53% |
| Operating Profit | 4,410 | 4,074 | 8% | 3,533 | 25% | 4,357 |
| Net Profit | 4,643 | 4,904 | (5%) | 3,304 | 41% | 3,615 |

(All figures are in SAR mln)

- STC group revenues came in at SAR 18.6 bln, up +3% Y/Y but down -2% Q/Q, slightly below our forecast. The Y/Y increase was attributed to a rise of +0.5% in STC KSA, and +9.7% in its subsidiaries' revenues, while the Q/Q decline stemmed from a -0.2% decline in STC KSA and -5.5% in its subsidiaries' revenues. For STC KSA, mobile subscribers have grown by +7.9% Y/Y and +0.9% Q/Q to 27.6 mln, and fixed subscribers by +2.3% Y/Y and +0.5% Q/Q to 5.68 mln. For international subscribers, there was a marginal improvement in the past two quarters.
- This quarter's gross margin expanded to 55.8%, higher than both comparable periods due to a withholding tax provision reversal of SAR 1.5 bln compared to last year's non-recurring item reversal of SAR 0.64 bln and none last quarter. As a result, reported gross profit reached a record high at SAR 10.4 bln, up +8% Y/Y and +18% Q/Q. OPEX is up +8% Y/Y and +13% Q/Q to SAR 5.99 bln, primarily from booking SAR 554 mln in doubtful debt provision. Furthermore, operating margin increased by +106 bps Y/Y and +508 bps Q/Q to 23.7% in this quarter.
- Net income reached SAR 4.6 bln (-5% Y/Y, +41% Q/Q), higher than our SAR 3.6 bln estimate and SAR 3.5 bln market consensus. The annual decline was due to gains from Khobar land sale in 3Q2023, worth SAR 1.3 bln, despite the doubled gains from discontinued operation of SAR 385 mln in this quarter. The sequential surge is mainly attributed to the withholding tax reversal coupled with the bad debt provision. Excluding all one-offs, normalized net income in this quarter would be similar to last years but lower than last quarter. We estimate a normalized income declines of around -12% Q/Q. Investors are happy with the higher dividends (yield of 4.8% at current price). We revise our stance to Neutral, as the stock is approaching our target, and tweak our target price to SAR 46.00.

Abdulrahman M Barghouth
abdulrahman.barghouth@riyadcapital.com
+966-11-203-6815

■ 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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