

Record 2024 Revenues, Stake Sale Gains Boost Profits

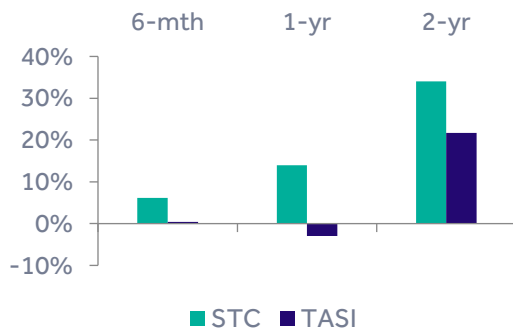
February 27, 2025

Upside to Target Price	(0.6%)	Rating	Neutral
Expected Dividend Yield	4.8%	Last Price	SAR 46.30
Expected Total Return	4.1%	12-mth target	SAR 46.00

Market Data	
52-week high/low	SAR 46.70/35.85
Market Cap	SAR 231,500 mln
Shares Outstanding	5,000 mln
Free-float	37.98%
12-month ADTV	4,322,139
Bloomberg Code	STC AB

STC	4Q2024	4Q2023	Y/Y	3Q2024	Q/Q	RC Estimate
Sales	19,266	17,288	11%	18,643	3%	18,333
Gross Profit	9,416	8,031	17%	10,395	(9%)	8,893
Gross Margins	49%	46%		56%		49%
Operating Profit	2,970	2,531	17%	4,410	(33%)	3,376
Net Profit	13,456	2,274	492%	4,643	190%	2,999

(All figures are in SAR mln)



- STC group continued to deliver record full-year revenues of SAR 75.9 bln, up +5.7%, driven by a +16.4% rise in subsidiaries' revenue (SAR +3.69 bln) and a +0.9% increase in STC KSA revenue (SAR +0.43 bln). Growth in subsidiaries was led by Solutions (+9.3%), Channels (+6.5%), and center3 (+75.6%). The commercial unit grew +5.4%, supported by mobility and residential segments, while business unit declined -7.7% due to lower public sector contribution. The carriers & wholesale unit fell -4.5% to optimize margins, as per management. The group's 4Q revenues reached SAR 19.3 bln, up +11% Y/Y and +3% Q/Q, exceeding our estimate on Solutions' concentrated revenues in 4Q. STC KSA's mobile subscribers continue to rise sequentially by +2.6% Q/Q, and Y/Y by +7.1% to 28.3 mln, led by prepaid customers, while fixed subscribers rose +0.7% Q/Q and +2.7% Y/Y to 5.72 mln. Regional subscribers' growth was marginal over the past two quarters on Q/Q basis.
- Full-year gross margin expanded +75 bps to 49.1%, primarily due to a +190bps improvement in STC KSA's margin to 62.8%. 4Q gross margin stood at 49%, matching estimates, improving from both comparable periods, as previous quarter's margin would have been 48% after excluding SAR 1.5 bln in withholding tax reversal. Operating margin expanded +78 bps Y/Y to 15.4% but would be similar on Q/Q basis after adjusting for the tax reversal.
- The group recorded huge SAR 12,885 mln gains from sale of Tawal & DIC, and SAR 383 mln in fund units' revaluation gains, offset by SAR (2.3) bln in other expenses, primarily stemming from early retirement costs and investments impairments. On a net basis, full-year net profit surged +86% to SAR 24.7 bln, but normalized profit growth stood at +13% excluding the one-offs. 4Q net profit came in at SAR 13.5 bln, up ~5x Y/Y and ~2x Q/Q, supported by stake sale gains. Normalized 4Q profits, per RC calculation, was SAR 2.4 bln, below our SAR 3.0 bln estimate and SAR 3.0 bln BBG consensus. We remain positive on the stock, given STC's strategic initiatives, including securing a SAR 32.6 bln PPP project, launching its digital bank post SAMA approval, and partnerships with Diriyah Co. and New Murabba. Investors welcomed the 4Q DPS of SAR 2.55 (SAR 2.00 special, SAR 0.55 regular), taking full year DPS to SAR 3.75 at a 76% payout. We maintain our target price and recommendation.

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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
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