

Market Data	
52-week high/low	SAR 46.00/35.00
Market Cap	SAR 192,250 mln
Shares Outstanding	5,000 mln
Free-float	36.00%
12-month ADTV	3,694,281
Bloomberg Code	STC AB



■ Bottomline Posts Good Growth

May 12, 2024

Upside to Target Price	22.2%	Rating	Buy
Expected Dividend Yield	4.2%	Last Price	SAR 38.45
Expected Total Return	26.4%	12-mth target	SAR 47.00

STC	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	19,100	18,179	5%	17,724	8%	19,088
Gross Profit	9,386	9,234	2%	8,928	5%	9,667
Gross Margins	49%	51%		50%		51%
Operating Profit	3,856	3,731	3%	2,851	35%	3,775
Net Profit	3,286	3,109	6%	2,274	45%	3,141

(All figures are in SAR mln)

- STC's 1Q revenues came in at SAR 19.1 bln, up +5% Y/Y and +8% Q/Q, in-line with our forecast of SAR 19.1 bln. All segments witnessed annual growth, driven by STC KSA's +1.2% incline in both commercial and carrier & wholesale units. Mobile subscribers grew by +10.4% to 26.9 mln mainly from Prepaid, fixed subscribers by +2.2%, while international ones remained flat. Sequentially, it's worth noting that Channels showed huge increase of +20.6% (or SAR +709 mln) which drove the growth.
- Gross margin in this quarter contracted to 49%, lower than previous and corresponding quarters and our estimates, likely impacted by more subsidiary's contribution. OPEX remained flat Y/Y but declined by -10% Q/Q. As a result, operating profit surged by +35% Q/Q and achieved 20% Operating margin vs 16% in 4Q2023, as expected.
- STC announced the selling of 51% in Tawal to PIF, and will likely receive SAR 8.7 bln during 2024 to be used for growth purposes. We will publish a summary report on this deal soon.
- Net income was recorded at SAR 3.3 bln (+6% Y/Y, +45% Q/Q), slightly above the SAR 3.0 bln consensus and closer to our SAR 3.1 bln estimate. Lower Zakat helped to offset gross margin contraction. The sequential surge in net income is mainly from -10% lower OPEX Q/Q. The minor net income deviation from our forecast comes from less than expected net other items. We maintain our SAR 47.00 target price, but upgrade our recommendation to Buy on recent stock underperformance.

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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